

BTN

BUSINESS TRAVEL NEWS

August 8, 2016

WHAT'S INSIDE

Structuring a Managed Travel Program	3
Establishing a Travel & Expense Policy	18
Selecting a Travel Management Company	27
Getting Started with Meetings Management	37
Setting Up a Corporate Lodging Program	44
Working with Airlines	56
Working with Car Rental Firms	63
Working with Chauffeured Car Providers	67
Selecting a Corporate Payment System	70
Core Technology & Data Reporting	79

2016 BUSINESS TRAVEL BUYER'S HANDBOOK

Sponsored in part by

jetBlue®



GET ONBOARD AND ONLINE.

Fly-Fi® is true broadband internet in the sky — and it's FREE! Available on most aircraft, with more installations underway.



Structuring a Managed Travel Program



THE PROCESS AND TOOLS AVAILABLE HAVE NEVER BEEN MORE INTERESTING.

Mobile and social strategies are now integral to managed travel programs as travelers demand a personalized, consumer experience. The fundamentals of any program, however, must work for the company to control spend, manage supplier service levels and ensure traveler safety and security. Mobile and social strategies can contribute to these goals, but solid structure, clear policy, communication and the right operating configurations with suppliers still lay the groundwork.

I. GETTING STARTED

Identify your company's governance board and stakeholders and their needs to gain support for your program, and develop a communication strategy for critical information. A corporate-level decision with support from regional and local offices can initiate a managed travel program. Solicit input from road warriors and infrequent travelers, global and domestic travelers, travelers from different countries and travelers across generations. Deploy consistently across operating companies and affiliates. Fundamentals include a well-communicated formal policy, travel management company support, dedicated internal staff, negotiated supplier agreements, a management information system that provides pre- and post-trip data, an online booking tool, a marketing and traveler education strategy and a preferred or required payment and expense process, the only true measure of travelers' spending.

A. Establish a vision, set goals and improve the purchasing process. The program should work within the company culture and align with its goals. Once goals are created, prioritize those goals to facilitate travel program and policy decisions that will align based on the most important factors for the organization. Also, consider the stakeholders:

1. How can travelers' experiences improve and become more productive? How can the program support them in their objectives? What tools, including mobile tools, will make travel seamless?
2. How should you measure performance against metrics like revenue and number

of employees? How do you know if results are optimal? How does the program compare to peers'?

3. How can you reduce costs while enabling business results? How should you align resources to support the company's growth markets and expansion plans? How will the company's hiring trend affect travel costs? Can the program support or lead enterprisewide priorities like sustainability and risk management?
 4. How can you leverage travel resources and efforts to impact shareholder value?
- B.** Build a network of stakeholders.
1. Identify a senior-level champion to endorse the program.
 2. Coordinate with IT, human resources, security, risk management, finance, facilities management, procurement, legal, real estate and other departments.
 3. Consider a council of stakeholders.
- C.** Identify a data collection and reporting methodology, and make it a priority.
1. Find data sources like corporate cards, expense reports, ledger accounts, suppliers, third-party data consolidators, TMCs and especially a centralized travel and expense system.
 2. Use the data to measure savings and cost avoidance, find savings and customer service opportunities, benchmark spending and compliance and compare supplier performance against contracts and service-level agreements.
- D.** Travel program models:

1. Mandated program. The least flexible for travelers, this model is defined by tight policies with front-end controls and back-end reporting to ensure compliance and senior management support, as well as a well-integrated travel agency and/or online booking tool that travelers must use, leverage with suppliers, integration of payment and expense processes and tools, data-driven decisions, a demand management strategy and crisis management protocols.
2. Exception-based program. Organizations using this approach have

Continued on page 6

sponsor welcome letters



Dear Travel Partner,

JetBlue is pleased to sponsor the 2016 Business Travel Buyer's Handbook. The information contained within this annual edition serves as a valuable resource for Corporate Travel Managers looking to stay ahead in the rapidly changing travel landscape.

At JetBlue, we recognize the needs of our corporate customers are constantly changing. The managed travel industry must continue to adapt and evolve in order to remain relevant to today's business traveler. We work closely with our corporate partners to fully understand their needs and challenges, and collaborate with them to provide the most efficient solutions for their travel programs.

This year is an exciting one for JetBlue. With the continued success of our Mint™ experience, we've expanded our premium service offering to 16 Mint flights a day between New York and California. Beginning this fall, Mint will be offered between BOS and LAX.

In 2017, we're bringing Mint to four cities for the first time—Fort Lauderdale, Las Vegas, San Diego and Seattle—while also increasing customer options from New York, Boston, Los Angeles and San Francisco.

JetBlue also recently outlined a restyling of its Airbus A320 cabins to build upon its new A321 cabin experience. The transformation will introduce free gate-to-gate Fly-Fi broadband, a new inflight entertainment system with internet-streaming on HD seatback televisions, power outlets for personal devices, ergonomic seats, and generous personal space to accentuate its crewmembers' continued dedication to service and hospitality.

We're proud to support this year's Handbook and hope that you will find these ideas and best practices helpful in managing your corporate travel program.

Best Regards,

Dennis Corrigan
Vice President
Sales & Revenue Management



MasterCard



Dear Travel Professional,

MasterCard is very excited to sponsor the 2016 Business Travel Buyer's Handbook. This annual guide serves as a valuable resource for helping Corporate Travel Managers stay current with the latest trends and best practices in the rapidly evolving world of business travel.

At MasterCard, we recognize that managing business travel has become increasingly complex. With briskly changing technology, tightening of travel budgets, heightened security concerns, and growing diversity of business traveler profiles, the approach to managing travel programs must be more dynamic than ever.

The need for data—and more importantly, global insights—is the catalyst for the much of the work we do to support our corporate customers. With MasterCard's proprietary Smart Data suite of solutions used by over 60% of Fortune 500 companies, travel buyers can easily gain visibility of their entire program at a regional, national, or global level.

And at the most fundamental level, one of the first steps in program optimization is to maximize the capture of spend on your corporate card program. According to RPMG Research, best-in-class corporate card programs capture 88% of spend—which not only maximizes rebate but also generates the enhanced data that provides the spend insights needed to fully optimize your program.

MasterCard strives to use our technology every day and everywhere to make payments safe, simple and smart. We provide innovative solutions that help drive operational efficiencies and employee satisfaction. And all our products and services are built on unsurpassed merchant acceptance at over 40 million merchant locations worldwide, ensuring that employees can rely on MasterCard wherever their travels may take them.

It gives us great pleasure to support this Handbook and hope you find the content useful for optimizing your corporate travel program.

Best regards,

David Peraino
Senior Vice President and Group Head
Global Commercial Product Management

BTNGROUP



Louis Magliaro, Vice President & Group Publisher
973.769.0028 • lmagliaro@thebtngroup.com

EDITORIAL

David Meyer, Editorial Director
646.380.6246
dmeyer@thebtngroup.com

Elizabeth West, Editor-in-Chief
732.494.1955
ewest@thebtngroup.com

Jay Boehmer, Editor-in-Chief, *The Beat*
646.380.6249
jboehmer@thebtngroup.com

Amanda Metcalf, Managing Editor
646.380.6248
ametcalf@thebtngroup.com

Michael B. Baker, Senior Editor,
Transportation • 646.380.6250
mbaker@thebtngroup.com

JoAnn DeLuna, Associate Editor,
Payment & Expense • 646.380.6268
jdelluna@thebtngroup.com

Julie Sickel, Associate Editor, Lodging
646.380.6264
jsickel@thebtngroup.com

James Jarnot, Art Director
646.380.6252
jjarnot@thebtngroup.com

PRODUCTION & CIRCULATION

Michele Garth, Production Manager
201.902.1930 • mgarth@ntmllc.com

Lisa Gonzales, Gayle Graizzaro,
Production Specialists
201.902.2000 • lgonzales@ntmllc.com
ggraizzaro@ntmllc.com

Kwafo Anoff, Director of Circulation
201.901.2103 • kanoff@ntmllc.com

CONTENT SOLUTIONS

Mary Ann McNulty, Director,
Content Solutions • 630.519.4510
mmcnulty@thebtngroup.com

MARKETING & EVENTS

Max Bzdyk, Marketing, Events &
Sales Assistant • 201.902.1924
mbzdyk@ntmllc.com

Mariza Moreira, Group Design Manager
201.902.1965 • mmoreira@ntmllc.com

SALES

Anthony Carnevale, Associate Publisher
201.902.1976
acarnevale@thebtngroup.com

Edie Garfinkle, Advertising Director
805.389.6836
egarfinkle@thebtngroup.com

Lindsay Straub, Regional Sales Manager
646.380.6274
lstraub@thebtngroup.com

Debbie Anderson, Hawaii
808.739.2200
debbieanderson@dmhawaii.com

Michiko Kawano, Japan
+81-3-3661-6138
kawano-pbi@gol.com

Juan Martinez Dugay
Paloma Martinez, Mexico
(011) 52-55 2122-3900
jmdugay@towmar.com
pmartinez@towmar.com

Lavender Tan, Singapore
(65) 9752 8613
lavtan@singnet.com.sg

LIST RENTAL

Danielle Zaborski, MeritDirect
914.368.1090
dzaborski@meritdirect.com

REPRINTS OR COPYRIGHT PERMISSION

Brett Petillo, Wright's Media
877.652.5295
bpetillo@wrightsmedia.com

SUBSCRIPTION SERVICES

Business Travel News
PO Box 47655
Plymouth, MN 55447
800.869.6882
btn@kmpsgroup.com
www.businesstravelnews.com/subscribe

BTN EDITORIAL & SALES OFFICES

116 West 32nd St., 14th Floor
New York, NY 10001

Thomas L. Kemp
Chairman & Chief Executive Officer

Lisa Cohen
Chief Financial Officer

Robert G. Sullivan
President, Travel Group

Thomas Cintonino
Executive Vice President, Digital Media

David Blansfield
Executive Vice President
& Group Publisher

Lori Cioffi
Senior Vice President & Editorial Director

Arnie Weissmann
Senior Vice President & Editorial Director

Janine L. Bavoso
Senior Vice President, Human Resources

Roberta Muller
Senior Vice President,
Product Development & Production

Sheila Rice
Vice President, Content Licensing

Richard Mastropietro
Vice President, IT Infrastructure
& Operations

Elizabeth Koesser
Vice President, Database Products

Business Travel News (USPS 0728-870, ISSN 8750-3670) August 8, 2016 Issue 804 Vol. 33, No. 11. Business Travel News is published monthly except semi-monthly in March, April, May, August, September and October by Northstar Travel Media, LLC, 100 Lighting Way, Secaucus, NJ 07094 (201) 902-2000, and is distributed free of charge to qualified corporate travel buyers and travel agents specializing in business travel in the United States and Canada. The cost of a print subscription to non-qualified subscribers is \$129 in the U.S.; \$142 in Canada and Mexico; and \$210 in other foreign locations; the cost of a digital edition subscription is \$65; payable in advance in U.S. dollars. Registered for GST as Northstar Travel Media USA GST No. 264513185. Canadian GST #123397457. Periodicals postage paid at Newark, NJ, and additional mailing offices. Business Travel News is a trademark owned exclusively by Northstar Travel Media. Copyright © 2016 by Northstar Travel Media, LLC. Reproduction of this magazine, in whole or in part, is prohibited unless authorized by the publisher. Editorial and advertising offices: 100 Lighting Way, Secaucus, NJ 07094. For all circulation inquiries, including new subscriptions, renewals, cancellations, changes of address and problems with missed deliveries, contact customer service by mail at Business Travel News, P.O. Box 47655, Plymouth, MN 55447; by phone at (800) 869-6882; fax at (866) 658-6156; e-mail at btn@kmpsgroup.com; or www.businesstravelnews.com/subscribe. POSTMASTER: Send change of address to Business Travel News, P.O. Box 47655, Plymouth, MN 55447. Printed in the USA. BPA

Continued from page 3

policies and controls, limited and defined managerial discretion, pre- and post-expense management, required use of a travel agency and/or online booking tool, leverage with suppliers, integration of payment and expense processes and tools, data-driven decisions, a demand management strategy and crisis management protocols.

3. **Guidelines.** This option includes policies that define guidelines, managerial discretion post-expense, some use of an agency, supplier programs based on spend, limited technology with perhaps a low usage level for online booking tools, a defined form of payment and limited use of travel data.
4. **Receipt-based T&E management.** This approach is characterized by managerial discretion post-expense, reimbursement tied to receipts, no preferred travel agency or formal supplier programs, limited technology without online bookings and little or no use of travel data.
5. **An approach popularized as "open booking"** includes some characteristics of the models above (excluding the mandated program approach) and is akin to an old-fashioned per diem when coupled with precise spending limits. In this concept, business travelers are permitted to book outside the

designated channel(s) (typically a preferred travel agency and/or online booking tool), perhaps on the conditions that they use a designated corporate payment mechanism, keep total trip spending below prescribed levels and/or inform the travel department of their plans. Potential benefits include empowered travelers who are allowed to choose travel suppliers and directly control more aspects of their journey. Critics point to reduced corporate control that could jeopardize data quality, purchasing leverage and duty-of-care requirements related to tracking travelers' whereabouts.

- E. **Benchmark** with organizations that have similar travel patterns and costs, especially firms in the same industry. Try to discover which practices would best serve strategic values and goals. Such studies ideally are conducted independently from travel suppliers that may have their own agendas. Other resources include studies published by business travel publications, third-party consultancies and business travel associations.
- F. **Consider** whether other management resources can be allocated to support implementation and ongoing development. Successful travel procurement systems, for example, require the combination of subject matter experts and trained procure-

ment professionals.

- G. **Determine** if IT infrastructure can accommodate travel reservation and management information tools. At minimum, ensure IT is engaged to approve and accommodate technology applications deployed within the program. IT should review the TMC, online booking tool and other providers to ensure their systems meet the company's requirements concerning data privacy and security. If mobile phones are supplied by the organization, consider the role IT will play in the ongoing coordination of support for travel-related mobile applications.
- H. **Travel, meetings and procurement managers** can create a comprehensive plan for managing meetings as part of the travel management program.
- I. **Establish** a travel risk management program. Never lose sight of employee well-being. Cost avoidance should not trump safety and security. Travel risk management services can be provided through TMCs or directly with specialist third parties.
 1. **Understand** duty-of-care laws and ensure travelers can easily contact the internal travel department, the designated travel agency or emergency support staff.
 2. **Support** pre-travel education of at-risk travel locations, hazardous situations, and general safety tips through the implementation of a standard security or travel intranet site
 3. **Consider** a medical assistance program to aid employees who require medical attention while traveling.
 4. **Institute** a real-time traveler tracking program to account for and contact employees when necessary.
 5. **Require** employees to submit itinerary information from third-party bookings prior to traveling. Consider making this a condition of reimbursement to promote compliance.
 6. **Make** travelers aware that bypassing approved booking channels inhibits the organization's ability to locate and render support when necessary. Require employees to confirm their awareness.

Mobile Travel Management

Travel apps have transformed the market with itinerary managers, notifications from suppliers and, lately, ridesharing and car services. Defining a strategy and specifying tools and services for business travelers have become table stakes for travel programs.

- I. **Employees** use their own software for business travel. Suppliers, travel management companies and corporate travel departments use personal tools to track reservations and itineraries, facilitate check-in, communicate delays or changes and rebook.
- II. **Look** for offerings from TMCs, online booking tools and expense management systems. Products may be free or bundled into the cost of an existing approved solution, but IT departments may need to assist.
- III. **Some** travel departments have developed internal apps like mobile hotel directories and local destination guides.
- IV. **Consider** using apps as part of your travel program communications strategy.
- V. **Explore** time-saving functions like mobile pre-trip authorization or expense report approval. Use mid-office quality control tools to determine which transactions do not need manual pre-approval.
- VI. **Don't** offer too many apps. Focus on the most important functions.

II. TMC OPTIONS

Many organizations rely on their TMC as a key building block of their program.

NATIONAL AND ENTERPRISE WIN AGAIN.

Receive the award-winning service you deserve! Corporate travel buyers placed National and Enterprise as the top car rental brands in *Business Travel News'* 2nd annual Car Rental Brand and Ground Transportation Survey.



Visit www.drivealliance.com/BTN
or call **1-877-439-4504** to learn more.



To the extent possible, some use a single TMC globally while others adopt a multi-agency approach on a regional level. Before making a decision, it is essential to establish organizational requirements and expectations. Data collection is a critical element to consider, especially in programs making use of disparate sources. Also determine the degree of intended reliance on the TMC; the spectrum varies from basic call center operations to a complete outsourced model in which TMCs act as a strategic program advisor. Descriptions, advantages and potential pitfalls of single-source and multi-source agency programs follow:

A. Single-source provider, in which one TMC handles all client requirements in all locations.

1. Advantages.

- a.** Allows quick responses to market and company changes.
- b.** More effective management of business controls.
- c.** Single account management and administration may cut overhead costs.
- d.** Concentrating bookings through one agency allows an organization more easily to move market share to meet contract goals (with airlines, hotels and other suppliers) or maximize cost savings, in some cases by using the agency's preferred suppliers if they align with program 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 may be more efficient. Standardization of processes and services can be more effective when all agency operations are consolidated with one TMC.
- 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 updates may be more efficient.

- i.** Online booking tool implementation and deployment can be more efficient through a central point of contact, which can facilitate training and support.
- j.** Standardization of traveler profiles, management information and reporting may be accomplished more efficiently through one agency.

2. Considerations.

- a.** An agency's geographical coverage does not guarantee consistency. It can be a challenge to ensure uniform procedures are followed and quality maintained in a multi-branch organization. Some countries preclude multinational TMCs from owning offices.
- b.** A single agency, especially one handling a multinational account, may not employ a single management information system. Some agencies do not use common systems, nationally or internationally.
- c.** An organization does not have to choose a "mega" agency for broad geographical coverage. (The mega agency category generally includes American Express, BCD Travel, Carlson Wagonlit Travel and Hogg Robinson Group. Some consider Expedia's Egencia and Omega World Travel as mega agencies.) Several other TMCs serve multinational accounts using networked automation, online technology, virtual operations and partner agencies.
- d.** Local offices may challenge giving up familiar agency relationships, particularly ones that share the local language or dialect.
- e.** Determine travelers' after-hours support requirements. If the TMC outsources or offshores these services, identify the locations, verify telephone operating capabilities and understand 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. Verify that data privacy controls are in place.

- f.** Understand payment systems and how travel is expensed. Centralized billing may not be possible in some countries. Privacy laws and financial regulations may preclude your organization from using the same payment system in other countries.

B. Multisource solution, in which an organization uses two or more TMCs. Advances in travel management technology make this approach more feasible than it had been in years past.

1. Advantages.

- a.** Business units get a measure of autonomy.
- b.** The local provider may have a better base of knowledge of local suppliers, nuances and culture.
- c.** It can be easier to structure and manage agency relationships to meet needs of different business units, especially in a multinational program.
- d.** Creates competition among agencies that can be used to leverage additional services.
- e.** Reduces vulnerability by providing a backup for service or financial issues.
- f.** Selecting a primary agency or third-party data management companies for consolidation of global spending and reservation data from multiple vendors is easily achievable.
- g.** Use of minority- or woman-owned agencies can support the organization's diversity goals.

2. Considerations.

- a.** Use of multiple agencies requires coordination. Designating a lead agency may aid coordination and standardization.
- b.** The technical challenges of merging management information from multiple sources require an investment of time and money, though new automation provided by agencies, suppliers and other third parties has eased the process. Third-party data aggregators are particularly well-suited to assist.
- c.** If the organization uses a single corporate charge card for travel purchases, data can be gathered from the card supplier, which

BRINGING EASE AND VALUE TO CORPORATE MEETING TRAVEL.

Delta Edge™ Meetings makes meeting planning easier for companies with Delta Corporate Sales Agreements by providing instant access to the meeting travel pricing that best benefits your company. Rest assured knowing eligible meeting travel will now count toward your contract fulfillment. You'll even have the opportunity to receive detailed reporting and financial incentives for travel booked. That's how we're building our business around the needs of yours.

To learn more, talk to your Delta Sales Account Executive or visit DELTA.COM/EDGE.



BTN
BUSINESS TRAVEL NEWS
2015 ANNUAL AIRLINE SURVEY



KEEP CLIMBING



Delta Edge program benefits (including Operational Performance Commitment™, Delta Edge Meetings, SkyPartner Performance+™ and Corporate Priority) are available to select accounts that have US point of sale discounts as part of their Corporate Sales Agreement and an assigned US account manager. Some benefits like Corporate Priority are only eligible on flights that are both Delta marketed and operated. Terms apply and are available at delta.com/edge.

can augment or even replace many elements of agency and supplier data. Although card data represents actual spend and therefore may be more useful than agency booking data (especially as some travel bookings are made outside the preferred TMC), the best data may be available through the use of electronic expense reporting tools.

- d. Different TMCs may have conflicting preferred supplier agreements, which can impact any shared financial considerations. Be sure to understand these contractual arrangements.

III. OPERATING CONFIGURATIONS

There are several formats for travel management operations. Organizations must choose whether to handle reservations on their premises or at an agency location, and determine whether to use their own employees, TMC staff or other third-party providers. Because fee-based pricing is the prevalent model, organizations can evaluate decisions about operating configurations in clear cost and service terms. Regardless of the approach, organizations can implement self-service, online booking tools for their travelers and/or permit them to book how and with which suppliers they prefer, depending on the degree of autonomy permitted.

When determining which agency type, configuration and specific provider to use, an organization should in its agency request for proposals ask for multiple configurations and pricing options and weigh several considerations. For example, what is the organization's travel volume and available internal resources? If an organization is considering a configuration that requires hiring agents and travel department support staff, are qualified people available in that market? What are prevailing wages and benefits? Can an online booking tool or other technology replace some of the headcount? Is the culture one of self-sufficiency or one that focuses on core businesses, in which ancillary services are outsourced? Do security considerations discourage nonemployees from being on the premises or require corporate control of travel decisions

and information? How technologically savvy are employees? Do they have access to a corporate intranet travel site? What is the agency's business continuity plan, and how can the service be scaled to support a major travel disruption? Does the organization want to own its tools and/or traveler profiles or use those of an agency or other third party? Are there any security or firewall issues?

A. Full-service, off-premises agency.

Though "brick-and-mortar" business travel centers operated by agencies do exist, their numbers are declining due to home-based agent servicing made possible by advancing technology.

1. Travelers or 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 of and recommendations for program enhancements.
3. The organization negotiates its own discount programs and works directly with suppliers, relies on the agency to be its liaison to suppliers and negotiate discounts, or any combination of the two.
4. Advantages

- a. Many common costs are variable and based solely upon use.
- b. Overhead expenses and necessary headcount are minimized. Technology cost is spread among multiple customers.
- c. Central reservation centers can be located outside of large urban areas, perhaps even outside the country, where overhead costs are lower. Some agents associated with a call center may work at home, made possible by voice-over-IP technology.
- d. With sufficient volume, the organization might have a dedicated team of reservation agents; additional staff can be deployed during peak periods. In slow periods, dedicated staff can be deployed to other accounts, reducing labor costs.

5. Considerations.

- a. A small account might not warrant a dedicated team or command special attention.
- b. Agency staff may not be fully versed on the organization's

policy and preferred suppliers.

- c. As support team size increases, inconsistencies could develop.
- d. Determine if online and offline booking support can be provided from a single location.

B. Dedicated agency branch.

1. Provides a full-service, off-premises site, often near the corporate location. This can be the most costly TMC offsite configuration because it involves the exclusive use of facilities and personnel.
2. Assures the account exclusive local 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 training and familiarity with industry changes.

C. Full-service, onsite agency branch (also known as an "in-plant").

1. The agency operates a branch on the organization's premises, with agency employees providing service. A similar configuration known as a "rent-a-plate" also operates on the organization's premises and instead uses enterprise employees as travel agents.
2. Advantages.
 - a. Exclusive attention and a perception among travelers of higher-touch and more responsive service, including easy access to travel agents.
 - b. Integration of the travel operation into the organization's communications network may be easier. An organization's interoffice mail system can be used for delivering documents that cannot be handled electronically.
 - c. The organization has closer control over agency service standards and policy application.
 - d. ARC assigns a separate ARC number to the agency location, facilitating accounting and the collection of travel management information. The ARC number belongs to the agency.
 - i. This provides solid tracking of revenue channels to help calculate a P&L for the operation.

*How the gold standard
got its name.*



Treat your clients to the premium benefits and uncompromised service that have earned Hertz® its reputation for outstanding business travel.

Visit **hertz.com** for details.

Hertz®

- ii. Hotel commissions and global distribution segment revenue can be collected, resulting in a financial advantage.
- e. Onsite agents can be trained to support the online booking tool, trip auditing, meetings management, expense management data consolidation and other tasks.
- 3. Considerations.
 - a. Costs for facilities and communications are part of an organization's overhead. Most costs for the onsite program are fixed and are paid even if unused.
 - b. If the agency employs only one onsite agent, the organization must provide for backup or telephone rollover during busy times, illnesses and vacations.
 - i. With the emergence of more affordable telephony systems and reporting software, staffing should be associated with telephone call statistics. These statistics will help identify performance requirements for the expected numbers of calls per agent per day, taking into account acceptable hold times, transaction completion time, acceptable callback and abandon rates and other performance measurements.
 - ii. Staffing analysis, assessments and remedies should be outlined in the agency contract, along with performance measurements.
 - c. Travel agency employees working at a corporate site can feel isolated. Agents must be continually trained and onsite staff could be rotated to avoid complacency due to familiarity.
 - d. Employees may visit the onsite agent rather than use the phone or self-booking tool, which may increase transaction time and impact productivity.
 - e. Having an onsite could negatively impact self-booking policies.
 - f. Small onsites may be last to get advanced technology tools, requiring additional effort to ensure support from the parent TMC.
 - g. System outages can be more challenging for TMC onsites, which are supported by TMC and company phone and data lines.
 - h. Consider enabling the onsite to serve as a fulfillment center for other countries, especially if those country operations have decent online booking rates. The cost of the exchange rate for airline tickets can be far less than foreign booking fees.
- D. Hybrid: A dedicated offsite reservation team complemented by an onsite client service representative, VIP agent, ticket processor or account manager. 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.
- E. Online-originating agency (commonly referred to as an online travel agency, or simply OTA): Notably Egencia, Orbitz for Business and Travelocity Business, these agencies are focused on low transaction fees for online booking services. However, due to competitive convergence, they now have offline support services while many traditional TMCs provide support for both online and offline transactions.
- F. ARC-accredited Corporate Travel Department (CTD).
 - 1. ARC's Corporate Travel Department program allows an organization to register as a seller of travel by providing direct access to ARC's central reporting and settlement processing systems. The CTD purchases travel services for its own employees, but cannot serve the general public. A CTD can outsource (usually to a TMC) most, some or none of its travel functions. The only function it cannot outsource is the actual legal and fiduciary agreement between the CTD and ARC. The location of the CTD can be on the organization's premises or outsourced to an agency location, even in another U.S. state.
 - 2. The organization can determine its operational configuration, with or without the support of a TMC.
 - 3. The organization manages suppliers or acquires automation.
 - 4. Advantages.
 - a. The organization retains all earned commissions, allowing for more transparency regarding transactional income.
 - b. The organization controls its data and has immediate access to information for reporting and integration into other corporate systems, such as the general ledger or enterprise system.
 - c. The organization can unbundle services to multiple suppliers, assuring best-in-class products and lower transaction costs. However, some savings could be offset because unbundling requires further management.
 - d. The organization can establish a direct relationship with a GDS through which rebates are earned to offset program costs.
- 5. Considerations.
 - a. A smaller organization might find it cannot earn as many incentives or commissions on its own as can a large agency. Also, hotel properties can be lax in paying commissions, requiring the CTD to apply a process similar to those used by TMC accounting departments to maximize collections.
 - b. As an ARC-appointed entity, a CTD's airline information is isolated and identifiable. This information is available to the airlines via ARC.
 - c. Unless the organization is in the travel business, a CTD is not a core business service and will require a unique set of in-house or outsourced skills.
 - d. There are costs associated with achieving and maintaining CTD status, including annual ARC fees, initial bond requirements and training or hiring a certified ARC specialist to qualify for the program. However, CTD revenue can fund expansion and other related projects.
- G. Centralized service location
 - ARC appointment.
 - 1. All travel booked by the travel reservation center is associated with the centralized service location ARC number, providing the organization and its suppliers with



A Hotel for Every Business Need.

At every Best Western®, travelers will find people who care about their business needs. They will discover amenities to stay productive on the road, including free high-speed Internet* and breakfast available at all locations. With more than 4,100 hotels worldwide**, finding the right hotel for business is now easier than ever.



GDS code: BW
bestwestern.com | 1-800-WESTERN

*Some amenities not available at all locations. **Numbers are approximate and can fluctuate. Best Western and Best Western marks are service marks or registered service marks of Best Western International, Inc. ©2016 Best Western International, Inc. All rights reserved.
Each Best Western® branded hotel is independently owned and operated.

information about travel activity.

2. Advantages.

- a. Allows the organization to segment activity in a service center.
- b. Hotel commissions are paid directly to the centralized service location.
- c. Transactions can be isolated in the operation and supported like an onsite operation with dedicated staff.

3. Considerations.

- a. The centralized service location is reliant on the TMC for reporting, if the organization does not buy a tool or adopt an internal data aggregation and reporting process.
- b. The centralized service location should ask the TMC for a copy of the ARC report submitted against its designation as the primary source document for reconciliation of activity.

IV. TRAVEL ARRANGEMENTS

- A.** Historically, travel arrangements were handled by calling a travel agent on the telephone. Online self-booking tools have replaced this more expensive option, except for some VIP services, complex multisector or com-

plicated international bookings and in some service-oriented industries.

- B.** Many organizations have implemented online booking tools, either by licensing them directly from the provider or using them through a TMC reseller.

In both scenarios, transactions are fulfilled and supported by designated TMCs. The tools access inventory from GDSs and, in some cases, directly from suppliers. TMCs typically charge lower transaction fees for such bookings.

- C.** Some companies continue to use email to place requests with their agencies. This allows bulk processing and reduces traveler time devoted to trip planning. It also provides a trail of requests and communications between the traveler and agent, which many think improves service, but also is less efficient in terms of workflow and productivity. This process also frustrates many travelers because it does not provide instantaneous results.

- D.** Interactive voice response is an alternative for 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.

- E.** An optimal configuration may include at the same call center offline agents and those assisting online transactions.

V. PROGRAM IMPLEMENTATION

- A.** Identify individuals who will be responsible for tasks involved in the implementation process and key decision-makers who will support the project. Develop procedures and systems to support long-term expansion plans. Flexibility and scalability are key.

- 1. Many organizations 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 organizations, a travel or procurement manager often directs the program from headquarters, sometimes with the help of a travel committee or council of representatives from the operating units participating in the initiative.
- 2. A cross-functional travel council can help broaden support, as its decisions are seen as supporting organizational goals, not just those of certain departments.
- 3. Another option is a three-tiered committee, with one group composed of senior managers, a second of the employees who would implement the program and a third of procurement or travel-related personnel.

- B.** Define implementation objectives and the parameters that will be used to quantify the level of success achieved early in the process, and ensure all parties are in alignment with those objectives and timelines.

- C.** Draw up a detailed timeline for each step and specify who is responsible for each component.

- D.** Seek a neutral project manager resource to drive the process and hold all parties accountable.

- E.** Distribute a statement of senior management support, optimally encouraging (if not mandating) use of various program components. Executive support also is useful to clearly define roles and responsibilities with such departments as HR, legal, procurement, security and travel.

- F.** Ensure you have full IT support and

Social Media

Many companies engage their travelers and travel arrangers on corporate-facing social media. Corporate online booking tools may provide supplier-rating options similar to leisure-travel websites like TripAdvisor, and while corporates should be in front of these trends, tread carefully.

- I.** Social networking apps within corporate intranets, mobile software or booking tools can speed feedback on suppliers and spread the word about policies and initiatives. Location-based technologies provide destination data like colleague recommendations, preferred restaurants, activities and weather updates.
- II.** Employ caution when using social media in a corporate environment. You don't want to create distractions from mission-critical work or travelers to concentrate on trying to beat the travel program's supplier prices. Travelers could negatively impact corporate security and/or create data privacy issues. They also could have unfair and unilateral impact on the perceived reputations of preferred suppliers and corporate support for them. Yet, there's a proliferation of sites for travelers to search for travel options and opinions as suppliers, too, establish communications and commerce on social media. Facebook fan pages, for example, are expanding to include engines and apps to support direct bookings. Many corporate travelers search these sites, and suppliers making it tempting for the traveler to stray from your preferred channel. A corporate version of these social media options could combat that.
- III.** Use social media to engage travelers, enabling travel managers to send out deals or supplier-provided perks regularly. Contests or engagement thresholds that recognize travelers can raise awareness of the travel program and support compliance.

SM

UNITED



A STAR ALLIANCE MEMBER 

A direct line to the answers you need

When something unexpected comes up, our dedicated escalation teams work with your business to find a solution. In addition to our 24/7/365 United® Executive Accounts Desk, there's always an expert available who understands your needs.

© 2016 United Airlines, Inc. All rights reserved.



fly the friendly skies®

access to the organization's intranet and communications tools.

1. Connections to HR and other database feeds will make data transfers to the TMC simpler. These capabilities also can be used to promote the program.
2. Dedicate intranet space to promote preferred supplier agreements, security alerts, news, policy changes and other program information.
- G. Secure support from senior management on the proposed travel policy.

VI. SUPPLIER SELECTION

Subsequent chapters provide greater detail on approaches to travel supplier selection and strategies for developing components of a managed travel program. The following provides a general overview:

- A. Study your enterprise's geography, cultural orientation and most-frequented destinations. Consider using an independent TMC's third-party survey tool as the baseline for your situation.
- B. Secure support from senior management on the proposed policy and how it will take into account such matters as acceptable classes of service, airfare types and hotel tiers. Consider formalizing the consequences when travelers do not select a preferred supplier.
- C. From past records of travel activity, identify specific suppliers frequently used by travelers in each destination, including hotels, ground transportation and airlines. Identify alternative suppliers that could support similar services.
- D. Compare supplier costs by reviewing corporate charge card and expense reports, consultant reports, industry benchmarking groups, peers and TMCs.
- E. Provide potential suppliers with a formal solicitation or informal request with projections of travel volume, total expenditures, service expectations and pricing guidelines. The more spend you can leverage, the better preferred pricing will be, especially if you can mandate a policy.
- F. If possible, consider negotiating with one supplier for multiple destinations. Leverage volume for hotel chain agreements and multi-city car rental agreements, and consider regional or global air alliance contracts, as well

as smaller local airline agreements to ensure comprehensive route coverage. If a dominant carrier is unwilling to negotiate for a specific city pair, find an alternative—preferably one that can serve the organization's needs in other city pairs.

- G. Require contracts with defined service-level agreements to facilitate performance measurement on a regularly scheduled basis (quarterly is preferable). Ensure all market-share or revenue targets are achievable and constantly monitored for changes. Establishing viable expectations enables organizations to manage travel expenses creatively without sacrificing long-term supplier relationships.
- H. Negotiate value-added services with your suppliers, including elite-level frequent-flyer status that may exempt your travelers from checked baggage and other various fees and charges for ancillaries. Consider the benefits of negotiating with hotels for complimentary Internet access, breakfast, parking and other services and amenities, but be sure these amenities are ones your travelers actually use. Consider negotiating items such as GPS for car rentals to facilitate traveler safety in locations that are unfamiliar or if arrival to the destination is late at night.

VII. GLOBALIZATION

When embarking on a globalization effort, corporations must define the vision of success as soon as possible. It may not be to lower costs in all regions but rather to lower costs in some and increase service in others. It may be to collect more streamlined data across all regions for negotiations. Understand the primary goals before implementation and understand that not all regions will benefit equally.

- A. Benefits.
 1. Globalization allows for consistent procedures, application of travel policy and provides clear accountability for service delivery.
 2. It can provide a single system for consolidating data from diverse international operations.
 3. Aggregated purchasing volume maximizes negotiating leverage globally and locally.
 4. Standardization provides cost-management efficiencies.

5. Offering travel risk management services to employees worldwide helps an organization meet duty-of-care obligations.

B. Early steps.

1. Obtain senior management support and buy-in from other stakeholders. Clearly state the goal, an initial needs assessment and proper business case. Key messages likely will center on savings opportunities, process improvements, and employee satisfaction and safety. Market the concept by emphasizing how each business unit will benefit.
2. Internal coordination.
 - a. If possible, appoint a full-time project manager.
 - b. Develop an internal request for information to identify who manages travel internally and collect details on existing local and regional travel programs, including policies, TMC configurations, supplier contracts and incumbent provider termination clauses.
 - c. Assess your colleagues' opinions of the current travel program. Use surveys to obtain a profile of your organization's local spending and travel requirements.
 - d. Request feedback from managers in HR, MIS, purchasing and accounting.
 - e. Meet influential business heads, travel arrangers and travelers in the local countries who can be advocates for change.
 - f. Establish a global and/or regional travel council. Ensure that each region and major country is represented.
 - g. If volume warrants, designate a corporate travel manager in each location or business unit. Use local travel coordinators to communicate with countries that have no designated personnel assigned.
3. Recognize the need to preclude a region, country, business unit or even individual departments. There may be particular needs that cannot be met by a global program, universal policy or preferred global suppliers. They might be resource-constrained, but you might simply need local input and support.

C. Global corporate card or centralized global card administration.

1. A corporate charge card program can yield detailed spending information. Be cognizant of privacy laws, banking regulations, customs and infrastructure that restrict data collection and dissemination. By consolidating multiple business units on a single contract, organizations can reduce charge card fees and foreign exchange fees, and boost rebates.
2. Considerations.
 - a. Merchant fees can fluctuate by market.
 - b. In order to determine income and program overhead, the card issuer will base economic decisions on the number of cards issued, card spending in foreign currencies and speed of payment.
 - c. Ensure that corporate card vendors can meet such requirements as interfacing with corporate booking and expense tools. Note that agreements in certain countries may not permit them to provide specific services.
 - d. Focus on data delivery capabilities and ensure the program meets in-country needs for reporting and management.

D. Data.

1. Select a primary travel agency or third-party data management company to consolidate global spending and reservation data from multiple suppliers. Use of a third-party data consolidator can support multinational and multiple-agency programs.
2. TMCs vary in their ability and methodology for consolidating data from multiple countries.
3. Use the travel council or third-party data consolidators to collect data on existing corporate travel patterns and supplier relationships.
4. Ensure privacy, accuracy and timing of data will meet your requirements and needs.

E. Policy.

1. Consult with global HR, corporate security, tax, legal, risk management and data privacy groups when constructing a global policy.
2. Cover the fundamentals but leave room for fine-tuning. Global

policy should be flexible and measurable, but never ambiguous.

3. Work closely with local managers.
 4. Don't expect to impose identical policies in all countries. Travel options, business considerations, local cultures, traveler entitlements and other factors can vary. Work with local managers and employees to draft travel policies that reflect local realities while supporting global travel program goals.
 5. Policy variances may relate to airline class of service, hotel room types, per diems, airport transportation, expense reimbursement, car rental insurance, corporate aircraft and emergency procedures. Allow local policies to be more but not less strict than the global policy.
- F. TMC role.** Using a single TMC for a group of countries within a region can offer the same advantages as worldwide TMC consolidation. No agency owns all locations worldwide and no agency has one single technology process. Point-of-sale issues, such as the local dominance of a particular GDS, exist regardless of the approach. Centralizing all European travel with one TMC may help reduce value-added tax charged on service fees, while consolidating to a single data feed.
1. Central reservation center.
 - a. All locations use a single site (or multiple, connected sites) for all reservations and ticketing. This allows a centralized, "follow-the-sun" service orientation.
 - b. Benefits.
 - i. Eliminates supervisory, administrative and other overhead costs incurred by operating multiple sites.
 - ii. Improves communications.
 - iii. Consistent policy application and faster policy changes.
 - iv. Easier establishment and measurement of performance standards.
 - v. Usually first to get new technologies like automated booking and telephonic systems.
 - vi. Volume can merit a dedicated reservations team.
 2. Using independent TMCs joined in an international network to support multinational accounts is an option.

Without common ownership, control, service and standardization, it may be difficult to jointly manage and coordinate the program.

G. Implementation and follow-through.

1. Leverage worldwide travel volume in order to negotiate global or multi-country airline and ground transportation agreements, and develop a global preferred hotel program. Country- or region-specific contracts may be necessary.
2. Develop communication and change management plans with travel council and key suppliers to prepare senior management and employees for any service, policy and process revisions. Require dedicated resources from the TMC, including communications.
3. Leverage technology from larger units to benefit smaller ones, including self-booking tools, employee tracking, pre-approval systems and post-trip data automation.
4. Implement first in the largest spend countries and locations with the most travelers, or perhaps by region, where most of the volume is concentrated and benefits are easiest to quantify. Report benefits at locations with the highest spend and greatest potential to prove early success.
5. Leverage best practices in service configurations, preferred supplier selection and technology products as program expands to additional regions and countries.
6. Meet regularly with the travel council to review results, resolve issues, exchange ideas, and discuss traveler feedback.
7. Review TMC performance at least quarterly.
8. Identify spending patterns that indicate negotiating opportunities and policy exceptions that need revision. Track noncompliance.
9. Solicit feedback from travelers and provide program updates via a dedicated intranet, newsletter or social network.

Prepared by Amanda Metcalf with assistance from Thermo Fisher Scientific global travel manager Kevin Paige, American Express Global Business Travel consultant Lacey Van Luven and BCD Travel senior vice president Kathy Bedell. ■

Establishing a Travel & Expense Policy



A TRAVEL AND EXPENSE POLICY IS THE FRAMEWORK FOR ANY WELL-managed program. A single-page policy may be an option for those companies that simply want to offer guidance, but a well-defined policy will clearly convey the company's expectations for its travelers and expense approvers and ensure risk, policy and anti-bribery/corruption guidelines. The T&E policy should be available electronically, be easy to navigate via a simple index and offer short and targeted direction. It should cover how travelers should arrange air, lodging and car rental, and provide guidelines for meals, incidentals and entertainment. The T&E policy also should specify how travelers pay for travel and get reimbursed for expenses. Below are guidelines on how to make the most out of your policy and gain traveler buy-in. A strong T&E policy not only offers guidance but also enables companies to track traveler whereabouts, promote preferred supplier usage and garner data for supplier negotiations.

I. QUESTIONS TO PONDER

A. What are the company's goals and key performance indicators?

B. Who will write and update the policy?

1. Form a committee from various departments—accounting, administration, finance, human resources, marketing, meetings, risk management, sales, strategic sourcing/procurement, training, accounts payable, expense management, IT, international representatives and any department that employs frequent travelers—to recommend policy to a writer and to seek traveler input.
2. Get buy-in on a proof of concept from at least one executive before drafting a document. Feedback from that person or group will set the tone and direction as the committee drafts policy.
3. One person with travel industry knowledge should write the policy with input from managers, travelers and travel arrangers to improve the likelihood of senior management buy-in and support.
4. Include representatives for all involved countries to encourage support and compliance.
5. The policy won't work without the signature or a letter of support from the CFO or CEO.
6. A senior leader like a controller should own the policy.

C. Who should be subject to policy?

1. The policy should apply to anyone traveling on the company's expense, including consultants, job candidates, customers and subcontractors.
2. The policy should stipulate that individual travelers and groups are subject to identical policies, unless a separate policy covers groups, conferences and meetings.

3. A policy that is specific to one location is easiest to administer and makes measuring compliance easiest. However, it creates inconsistency.
 4. Greater cost control comes with a single policy that covers all domestic locations, but this style interferes with individual locations' autonomy.
 5. A company that wants to balance consistency and autonomy can institute an umbrella policy that individual divisions or locations can restrict if necessary but not relax.
- D.** Should policy apply equally to all levels of employees?
1. Policies that do so send the message that management is serious about controlling costs.
 2. Some companies apply special consideration for high-ranking executives, those whose time is most valuable financially and those with security issues. Some companies draft executive-level policies that are not communicated to all employees.
 3. Recognizing road warriors by loosening policies for those who cross mileage or overnight-stay thresholds is good for morale but requires more administration and may incentivize travelers to take unnecessary trips.
 4. To mitigate disaster risk, companies can forbid more than two or three executives from traveling together, like a CEO and CFO traveling on one aircraft. Corporations can restrict the number of employees of any level on one aircraft.
- E.** Should the company deploy separate policies for individual countries?
1. A policy that applies to all employees worldwide is the most consistent, but local laws and cultural constraints make mandated compliance to a global policy impractical and inadvisable. The global policy should rule, and local policies should get stricter.
 2. An umbrella policy with addenda for individual countries will work if travel expense or management information system data is available.
 3. Companies can group countries with common travel requirements and cultures into a regional policy.
 4. Keep local standards, legislation,

practices and budgets in mind. If drafting a consistent multinational policy, for example, a company can't allow travelers to fly business class on flights longer than six hours if a particular business unit or location's budget can't support such flights.

F. Should you make separate policies for international travel?

1. The company can draft separate policies depending on the destination country and length of the trip.
2. The policy should cover passport and visa acquisition, health certificates, security and emergency services.
3. The travel management company or third-party security provider should provide this information for each trip.

G. How forceful should the policy be?

1. This major company-culture consideration is completely subjective and will depend on company goals.
2. Some policies mandate actions, identifying noncompliance consequences up to termination of employment or denial of reimbursement. The policy should address exceptions for unplanned occurrences and local regulations. Companies subject to Sarbanes-Oxley or the Sunshine Act should enforce mandates in strict accordance with written procedures and should audit for compliance.
3. Companies can present guidelines and require written explanations when travelers don't follow them.
4. Or they can present policies as standard procedures that carry the company's stamp of approval and CFO or CEO's signature.
5. Unmanaged programs should direct travelers to use their best judgment and ask them to share travel information to accommodate duty-of-care requirements.

II. ARRANGING TRAVEL

A. Should travelers have supplier choices?

1. Giving travelers broad discretion can lead to increased costs and decreased policy compliance.
2. Most companies either encourage travelers to use TMC agents and online booking tools to book travel compatible with policy and preferred suppliers, or they make use of preferred suppliers second in priority to booking the lowest logical cost.
3. Check with your legal and HR

departments about the risk of limiting travelers' options to one supplier. For example, full liability for an injured traveler can fall on a company that eliminated the traveler's air carrier options.

B. How should employees make travel arrangements? Five options:

1. Designate a single TMC or a limited number of TMCs. The benefits of consolidating to one include service level, consistency, consolidated reporting, centralized duty of care and cost savings via negotiated supplier discounts.
2. Deploy a single preferred online booking tool in every country possible. Configure the tool to be consistent with preferred suppliers by highlighting them or eliminating other options. Consider prohibiting use of other websites so travelers can't bypass your company's booking policy.
3. For domestic bookings that involve more than three destinations and for international bookings, use designated travel agents who make arrangements using corporate-approved channels.
4. Some companies allow travelers to book directly on supplier websites or another distribution channel if prices fall below a predetermined cap and if the company has a way to retain the trip data. However, travelers who don't forward itinerary details to their companies' TMCs compromise travel managers' ability to track travelers and spending data.
5. Policy can require employees planning a meeting with colleagues—usually 10 or more—that involves hotel room nights, requires a contract or exceeds budget thresholds to report the event to the meetings or travel department or the company's TMC. This allows the group to take advantage of negotiated group discounts, ensures application of the travel policy and allows a legal review of the contracts.

C. How far in advance should travelers plan?

1. The farther in advance a trip is booked, the greater the chance of lower airfare and availability of preferred seats.
2. Require supervisor approval for trips booked less than two weeks in advance.
3. Some TMCs help their clients encourage advanced bookings by notifying travelers and their managers how much the traveler could have

saved by booking in advance.

4. Some companies ask employees, at the time of booking, to consider travel alternatives like teleconferencing, particularly for non-client-facing travel.

D. Is pre-approval by the traveler's supervisor necessary? Should a supervisor approve reason for the trip, trip cost, both or neither?

1. Approval enables a supervisor to rule a trip unnecessary or too expensive.
2. Pre-approval for an online reservation may qualify as a second touch on the booking, adding cost.
3. It also may hold up ticketing, which again could add to the cost.
4. Consider requiring pre-approval for exceptions only or for specific scenarios like transcontinental flights and high-cost travel.
5. Some companies simply require travelers to obtain verbal approval from their managers prior to booking.
6. Do not burden senior executives on administrative details like approvals.

E. Address how travelers should handle trip changes.

1. Many TMCs have 24-hour service or tie in to third-party services for additional surcharges and should be used only during nonbusiness hours, for travel emergencies or to avoid larger cancellation penalties.
2. Online booking tools are available round-the-clock, but changing itineraries online is not easy.

F. Should the policy encourage or require travelers to adjust schedules to minimize costs, arranging day trips for instance?

1. Provide alternative routing and pricing options and record exception codes if travelers decline reasonable alternatives.
2. Balance cost savings with traveler productivity, convenience and morale.

III. LODGING

A. How should employees book rooms?

1. Using a designated agency or online booking tool funnels bookings through a single source, enhancing the company's ability to enforce policy and capture booking data to use for negotiations and to manage safety. It also ensures that travelers get the company's or TMC's negotiated rate and that room nights are credited toward volume agreements companies or TMCs have reached with suppliers.

Plus, any commissions returned to the company can offset program management costs.

2. The policy should state what travelers should do if they find rates lower than the TMC's or designated booking tools. Most companies discourage direct bookings through supplier websites. Though direct bookings can mean lower rates, they yield neither booking information nor data consolidation. They also undermine negotiated corporate rate agreements by diluting market share figures unless you've established a tracking mechanism, reduce commission income and diminish the company's ability to keep track of employees whereabouts.
- B. How much should employees pay?**
1. Define the company's acceptable pricing level, such as moderately priced, by brand or hotel tier to clarify the company's view of appropriate spending.
 2. Designate maximum hotel rates, though note that this could encourage employees to spend as close to the limit as possible. Consider setting different ceilings for different cities. Remember that using too many hotels will influence the company's performance in contracts.
 3. Consider giving travelers a maximum amount to spend daily across hotel, meals and incidentals, depending on the cost of doing business in each city. Base these per diems on the firm's historical expenses, BTN's Corporate Travel Index or published indices prepared by consulting firms and the federal government. Business-entertainment expenses typically are calculated separately.
 4. Designate different property classes per length of stay, such as limited-service hotels for one-night stays and extended-stay hotels for more than seven nights.
 5. Mandate the use of company apartments or hotel room blocks when they're available.
- C. What other limits should be in the policy?**
1. Encourage or mandate the use of hotels with which the company has negotiated rates or with which the company's TMC has preferred rates. Many companies and TMCs have extensive hotel directories but mandate the use of particular hotels in given cities. Direction to use preferred hotels should stipulate that

travelers book at the rate the company negotiated with the supplier.

2. Outline the circumstances under which travelers do not have to use preferred hotels, such as meetings and when traveling with a client.
- D. When can travelers stay in more expensive rooms?**
1. Companies may allow high-ranking executives to stay in luxury hotels or on executive floors.
 2. Better accommodations or a suite might be appropriate if a traveler has to entertain clients or meet with staff.
 3. If the only hotels that conform to policy are far from the business destination, closer, more expensive hotels may be warranted.
- E. Other options.**
1. Consider charging employees for no-show billings if they neglect to cancel reservations. The policy may instruct travelers who cancel a reservation to record a cancellation number or the name of the hotel employee taking the cancellation to help resolve billing disputes. Whenever possible, travelers should cancel through the TMC to produce a better paper trail.
 2. Policy should address whether the company will reimburse travelers for personal items like in-room movies, minibar purchases and laundry expenses. Policy can vary based on the length of the trip.
 3. Address whether the company will reimburse room service charges, as well as tips. Include guidance on how much to tip.
 4. Address whether the company will reimburse those traveling with spouses or family for a single-room rate, an entire multiple-occupancy room rate or a percentage of the multi-occupancy rate.
 5. Note whether travelers will be reimbursed for host gifts when they stay with a colleague, associate, friend or relative.
 6. Avoid properties with external entrances for each guest room, and consider conducting security audits.
 7. Consider whether to allow travelers to use Airbnb or similar accommodations.

IV. AIRTRAVEL

- A. What parameters should the policy place on airfare and class?**
1. Order travelers to use the company's

preferred airlines on certain city pairs when the airlines are competitive on price or their prices are only slightly higher.

2. Most companies indicate coach as the preferred class for nonexecutives traveling domestically.
3. Some companies require travelers to choose the "lowest logical," "lowest available" or "lowest applicable" fare. Define precisely what you mean. The definition may differ for domestic and international travel. Because fare availability changes, many companies stipulate class as the guiding principle. Require, encourage, permit or prohibit:
 - a. The lowest fare within a window of time around the planned departure, typically two hours for domestic travel but sometimes longer for international travel.
 - b. Nonrefundable fares: Balance the chance that the trip will be canceled or rescheduled against savings from these cheaper fares. Remind travelers to keep track of unused nonrefundable tickets, which the company often can use for other trips after paying a change fee. The TMC also should have an automated system for tracking unused tickets for business and group travel.
 - c. Nonstop flights: Balance the increased travel time and the risk of delays associated with indirect flights with the higher cost of nonstop flights. Consider that a layover in Chicago in January carries a heftier risk than a nonstop flight that could fly over a snowstorm. Most policies do not require travelers to take flights that require them to change planes unless the savings are significant. Define the minimum level of savings for which travelers should book a flight with a stop or stops, typically \$100 per segment, and a maximum length of the layover, typically no more than two hours. Below that, they should book an indirect flight.
 - d. Alternate airports: Consider the inconvenience for the trip and the cost ground transportation adds to the total cost of the trip.
4. Some policies allow senior managers to fly in premium economy, business

A STAR ALLIANCE MEMBER 

ARRIVE LIKE YOU NEVER LEFT

With our fully reclining seats your flight will pass by
in the blink of an eye with Turkish Airlines.

For more information and
to join the club: TCC@THY.COM

TURKISHAIRLINES.COM



or first class if a discount coach seat is not available. Some airlines offer premium economy, business or executive class seating as cheaper alternatives to first class. Some companies that allow business class for overnight flights pare that allowance down to premium economy for shorter flights.

5. Employees may be willing to pay for an upgrade personally, or companies may make it policy to pay for employees to upgrade to first, business or premium economy in certain conditions, including:
 - a. Flights of at least six or seven hours; mileage, however, prevents travelers from manipulating schedules, such as booking flights with longer connection times, to become eligible for upgrades.
 - b. International flights. Consider whether to include United States-originating flights to Canada, the Caribbean, Central America and Mexico.
 - c. Employees traveling with clients.
 - d. Employees with physical disabilities, though the company's legal department should advise, as recording an employee's disability may violate the Americans with Disabilities Act.
 - e. Employees who are expected to work a full day upon arrival.
 - f. Traveler is taking his or her second or third international trip within a defined period of time.
6. In a global policy, distinguish between such policy terms as international, domestic, transcontinental, stateside and foreign air travel, and note that the terms "coach" and "business" are not universal.
- B. If the company or its TMC has negotiated discounts with preferred air-

lines, are those airlines the best options?

1. Balance the company's obligation to reach a certain booking volume or citypair market share in order to maintain preferred fares overall versus individual travelers' opportunities to secure lower fares.
2. The policy should encourage or mandate that groups, usually 10 or more traveling to the same destination on the same day, use group rates if the company negotiated such fares.
3. The policy may lay out different preferred suppliers with different airlines or alliances to cover multiple city pairs.
- C. What reimbursement items should the company lay out in the policy?
 1. The circumstances and the approvals required for travelers to charter aircraft when there is no other convenient option for a group. Involve the company's insurance and security departments in that decision.
 2. If and how the company will reimburse certain employees for airline club memberships and premium-services memberships.
 3. How the company will handle supplier's loyalty program benefits. Most companies allow travelers to keep the rewards, while others encourage travelers to use them for business.
 4. If and how the company will reimburse travelers for checked bags and overweight bags.
 5. Which ancillary services, such as preferred seating, advance boarding and inflight Wi-Fi, are reimbursable.
 6. Whether the company will reimburse travelers for insurance beyond that provided by airlines, the company's insurance and corporate cards. Most do not pay for additional insurance unless a

traveler is transporting company goods.

- D. Other factors to define in the policy.
 1. An approval process managed by a risk management designee. Consider whether to forbid travel to countries for which the U.S. Department of State or the World Health Organization has issued a travel warning or advisory. The company should provide such advisories to travelers who've booked international trips.
 2. Who can fly in company-owned and company-leased planes.
 3. Whether the traveler or the company gets any denied-boarding compensation and whether travelers can volunteer for compensation when flights are overbooked.
 4. Whether to mandate or encourage alternatives like rail, personal cars or rental cars for trips within a certain distance. The policy also may cap car costs by expense or distance.
 5. Employees who are licensed pilots should not be allowed to fly passengers or themselves on business trips, whether in their own or other aircraft.

V. CAR RENTAL & GROUND TRANSPORTATION

- A. When should the policy require or forbid rental cars?
 1. Use a rental car when cheaper alternatives are inefficient for the traveler or when it's less expensive than a personal automobile, depending on the mileage reimbursement.
 2. Do not allow car rentals when:
 - a. A traveler needs transportation only from the airport to the hotel and when a shuttle, taxi or car service is less expensive.
 - b. A company-owned or leased car is available.
 - c. Employees are traveling to unfamiliar areas, especially at night.
 - d. Employees are traveling to foreign countries, especially if road conditions, safety and licensing needs are concerns.
- B. Which suppliers should a traveler use?
 1. Many policies encourage a single or limited number of suppliers with which the company or TMC has negotiated rates.
 2. Secondary suppliers can fill holes in designated supplier service.

Remote Conferencing

Advancements, cost savings and technology, including telepresence systems and desktop videoconferencing tools have boosted virtual meetings, which reduce wear and tear on travelers and save travel costs. They're best suited to internal meetings.

- I. IT departments usually manage remote-conferencing tech, but you can promote its use and examine airline citypair and hotel data to choose locations for installations. Integrate remote-conference booking and travel-booking systems, and design them to prompt travelers to skip trips. Even better if the system requires travelers to justify physical trips.
- II. Tech suppliers offer services and products. Most employees also have videoconferencing-capable personal devices, though IT may have to aid integration and collaboration.

3. Policy may direct employees to use different suppliers in different cities.
- C. What car size or class should travelers reserve?
 1. Compact cars provide the greatest savings but less comfort and capacity.
 2. Intermediate cars give travelers reasonable comfort at a reasonable cost. Most policies stipulate midsize or intermediate cars.
 3. Many companies restrict full-size or luxury cars to high-level executives, groups of two or more, those hosting clients or those of a certain height or size.
 4. Hybrid cars can bolster corporate social responsibility initiatives, but their rental rates may be much higher and availability is unpredictable.
- D. Should the company advise or require travelers to use the company's online booking tool or designated travel agency?
 1. No if the booking must be last minute.
 2. Otherwise yes, to ensure that the traveler gets the negotiated rate and that the company's contracted volume agreement gets credit for the transaction.
- E. Should travelers accept damage-waiver coverage?
 1. If the company is self-insured, receives free collision damage waivers under its contracts with car rental suppliers or is protected by insurance under a corporate card program, no additional coverage is needed. Policy can specify that employees will not be reimbursed for purchasing such coverage.
 2. If no other coverage applies, the company may choose for the traveler to purchase such coverage while booking to avoid paperwork and paying for damages.
 3. Differences in insurance laws and other government regulations make this coverage a good idea for foreign travel. Direct travelers to accept all coverage in foreign countries.
- F. Should travelers buy other insurance products like personal accident insurance, supplemental liability insurance and personal effects coverage?
 1. Most companies already have insurance that provides such coverage.
 2. If not, they usually reimburse employees for such purchases.
 3. Policy also can state that employees may purchase additional coverage at their own expense.
- G. What should travelers do in the event of an accident?
 1. Notify local authorities, the rental car supplier, the travel department, HR and the internal security department.
 2. If the car is damaged, notify the company's insurance department of the details of the accident and instruct the supplier to submit a bill for repairs to the same department, which will handle settlement. Photograph the damage.
- H. Other factors.
 1. Encourage travelers to refill gas themselves, as car rental companies charge a premium to refill it. Some vendors offer an upfront fee for fueling, which



Save on dining T&E. Instantly.

Dining is the third highest expense in corporate T&E.

Dinova is the only preferred network exclusively focused on connecting expense account diners to quality restaurants nationwide.

Join the millions of other companies that are **saving with Dinova!** Contact *Chris Froelich* to learn how.



Chris Froelich
VP, Business Development
973.954.6006
cfroelich@dinova.com

eliminates refueling charges.

2. Ask corporate travelers to avoid one-way drop-off charges by returning rental cars to the locations where they picked them up.
 3. Instruct travelers to inspect cars for damages and keep records to protect against unwarranted damage claims.
 4. Explain which ancillary service fees, including GPS and expedited toll programs, the company will reimburse. Most smartphones have GPS.
- I. When should travelers be allowed to use chauffeured transportation?
1. When the per-person cost is similar to other ground transportation options.
 2. When travelers are arriving at an unfamiliar destination or a foreign country or at night.
 3. Because most limos charge by car or by the hour, not by the number of passengers, a sedan service may prove more convenient and less expensive than a car rental or taxi for commuting from the airport to the office.
- J. Lay out procedures, policies and restrictions for parking expenses and tolls, traffic tickets and parking tickets, including receipt requirements.
- K. Work with key stakeholders regarding sharing economy service providers like Uber and Lyft.

VI. INCIDENTALS, MEALS & ENTERTAINMENT

A. How much can employees spend?

1. To control costs and eliminate the need to review receipts, the policy can set a maximum per diem, which may vary by city or region. Policy also could set a max per meal, which may vary among breakfast, lunch and dinner. Consider adjusting the limits if flights, hotels or events include free meals.
2. Policy allowances can vary by level of employee.
3. Analyze average meal spending within your company before establishing standard rates. Setting high maximums could tempt travelers to overspend.

B. Specify whether any food is not reimbursable, such as entertainment, snacks, room service, alcohol or food purchased during travel that does not involve overnight stays.

C. Specify that the highest-ranking employee present should pay.

D. Business entertainment.

1. The expense must be for a legitimate business purpose. Require a receipt listing individual charges, crucial for tax-deduction eligibility.
2. The policy may put a max on average per-person cost.
3. Define what categories of employees may entertain business guests without approval.
4. In accordance with U.S. Internal Revenue Service regulations and Sarbanes-Oxley processes—whether business took place before, during or after entertainment—events employees should be prepared to furnish:
 - a. Names, titles and company affiliations of each person present.
 - b. Business purpose served.
 - c. Business topics discussed.
 - d. Name and location of the establishment.
 - e. Exact amount of the expense.
5. Include in the policy clear direction from legal, finance and HR to guarantee that an employee paying for a business guest's meal is not construed as a bribe and does not exceed the corruption threshold.
6. Entertainment expenses, such as golf or tennis fees, may be reimbursable, or the policy could list certain activities as unsuitable for the company to sponsor.
7. The policy may list circumstances under which employees will be reimbursed for hosting business meals or entertainment in their homes.

E. Specify what incidental expenses are reimbursable and detail the requirements. Consider dry cleaning, laundry, foreign currency conversion, international phone access, Internet, passports, visas, medical inoculations, hotel business center charges, minibars, health clubs/fitness centers, spas, in-room movies, ATM fees, cash advances, shipping, babysitting, kennels, the U.S. Transportation Security Administration's Precheck program, the U.S. Customs and Border Protection's Global Entry program and lost, stolen or damaged personal property.

F. Decide whether to:

1. Require that expense reports separate breakfast, lunch and dinner.
2. Specify events that are not reimbursable, such as a birthday celebrations versus dinners at which employees receive awards.

3. Reimbursement for an employee's spouse.

G. Include input from HR, legal and tax departments. Provide instruction for submission of value-added tax reclamations.

VII. PAYMENT METHODS

A. How should employees pay?

1. Corporate cards allow the company to build a travel expense database and thus a comprehensive picture of travel patterns and spend volume to use in negotiations with suppliers. They also help detect purchases that represent exceptions to policy and may provide the company financial incentives through rebates based on volume spending. In the policy, prohibit use of these cards for personal purchases.
2. Personal charge cards eliminate the time and some costs of a corporate card program. Some experts advocate against this option.
3. The company can pre-load reloadable debit cards with select amounts, set them to allow only certain expenses and deactivate them if stolen or lost.
4. A centrally billed account can be used for air and rail purchases.
5. A company can set up direct-billing arrangement with preferred lodging and ground transportation suppliers.

B. How should card expenses be billed?

1. When employee cardholders are billed directly, they share liability with the company. The employee holds the initial responsibility of auditing and paying charges, which reduces the administrative burden on the company and induces travelers to file timely reports.
2. When the company is billed, called centralized billing, the company has complete liability. The company also has control over delinquency, assuming it pays bills when they arrive.
3. For central pay/individual bill cards, the company has liability and pays all bills, but bills also go to employees for review.
4. Centralized billing of airline expenses and individual billing for other expenditures removes the largest expenditure from individual employees.
5. When deciding, beware that some countries do not allow individual payment and liability. Also consider cards billed in local currency, foreign language billing statements, ATM fees, card fees and col-

flysaa.com

WE'VE GOT YOU COVERED.

For the best in long-haul comfort, put yourself in the care of Africa's most awarded airline. Experience a Premium Business Class service with fully-flat seats for a good rest, gourmet cuisine, award-winning South African wines and a selection of on-demand entertainment. Combine this with an extensive route network in Africa and it all makes for sweet dreams.



www.flysaa.com • 1-800-722-9675
or your professional travel consultant



SOUTH AFRICAN AIRWAYS

A STAR ALLIANCE MEMBER 

- lision damage-waiver insurance.
- C. Designate in the policy whether every employee should get a corporate card, every employee who travels, even if minimally, or those who incur travel expenses regularly.
 - D. Include in the policy how travelers obtain cards and what to do if they're lost or stolen.

VIII. EXPENSE REPORTING & REIMBURSEMENT

- A. Lay out the requirements for what receipts the company requires to be attached to expense reports, whether all air, car rental and hotel receipts; any receipt those above a threshold, often \$25; or the IRS's requirement of receipts for expenses of \$75 or more.
- B. What documentation is required for reimbursement?
 - 1. The policy can specify types of receipts for different services, such as an itinerary copy or electronic receipt and boarding pass for air, a hotel folio plus proof of payment for lodging and receipt or corporate card record for car rental.
 - 2. The IRS accepts electronic data from card suppliers in lieu of paper receipts if appropriate detail is included. Some card companies and hotel chains cannot provide full detail on hotel receipts.
 - 3. Many companies do not require receipts if travelers charge the expenses on corporate cards, a significant efficiency for employees. Advise within the policy, though, that employees should be prepared to disclose how and when expenditures were incurred.
 - 4. The TMC itinerary should identify:
 - a. Whether the hotel was approved, whether the hotel gave the lowest rate available and whether the booking aligned with travel policy.
 - b. The type of card used for payment and its last four digits.
 - c. Whether the booking was done over the phone or electronically.
 - d. Whether the TMC handled the reservation.
- C. The policy should specify the conversion rates to use on expense reports for expenses incurred in foreign currencies, either:
 - 1. The rate on the currency exchange

- receipt on the credit card statement.
 - 2. A reputable source's archive of conversion rates, pegged to the day of the transaction.
- D. The policy should designate expense report deadlines, whether within seven days of the end of the trip; at regular intervals—such as weekly, biweekly or monthly—for frequent travelers; immediately upon purchase of a ticket; or immediately upon receipt of the statement. Policy may specify that employees will not be reimbursed if they do not file expense reports on time. Indicate in the policy how to handle late-payment fees and interest charges.
- E. How should travelers file expense reports?
 - 1. All employees shall be prepared to disclose when, how and why expenditures were incurred and are required to list dates, locations, names and titles of those visited and the purpose of the trip.
 - 2. Mandate use of an automated expense reporting system if it's available.
 - 3. Require separate expense reports for each trip.
- F. Indicate whether the company will reimburse travelers who do not book through the mandated TMC or online booking system.

IX. MISCELLANEOUS

- A. Distribute the travel policy in a user-friendly summary document or in multiple documents covering different modes and classes of travel. Publish it on the corporate intranet and travel webpage or website, in newsletters, in the employee handbook and via e-mail and corporate social media tools. Review it during employee orientation and travel policy seminars.
- B. Require employees to confirm they've read the policy.
- C. In the policy, state what steps will be taken if a traveler does not comply, such as informing supervisors, managers copied on reminders, expansion of the authorizations required for pre-trip planning and post-trip audits, reprimands, documentation in employees' personnel files, delay or denial of reimbursement and, in extreme cases or for repeat offenders, termination. If your company bills air travel centrally, you can require travelers who make out-of-policy air

- bookings to fund their trips and then seek reimbursement.
- D. Work with HR to provide employee data to the TMC for new travelers and for maintenance of existing traveler profiles. Encourage infrequent travelers to update their profiles whenever a change occurs, and ask travelers to review their profiles annually.
- E. The policy also can include:
 - 1. Statement from the CEO of scope, goals and purpose of the travel program, as well as the advantages of supporting preferred travel vendors.
 - 2. A precise rundown of company managers and officials responsible for enforcing policy.
 - 3. Whether to permit travel apps on company smartphones, whether to restrict traveler-downloaded travel apps and whether to permit travelers to book business travel with their personal devices.
 - 4. Whether to allow travelers to review or share corporate travel supplier experiences on social media and public websites.
 - 5. How, when and how much to charge clients for travel.
 - 6. Instructions for medical and other emergencies, especially when traveling overseas.
 - 7. Procedures and requirements for borrowing company computers and other technology and when the company will buy or lease equipment for travelers.
 - 8. Responsibilities of travelers, travel arrangers and managers.
 - 9. Mobile roaming charges: Determine whether you'll issue company phones, ask employees to supply their own or neither. Set guidelines on what charges are reimbursable, especially when traveling internationally. Look for alternative methods of communication like Whatsapp and Skype or discounted company plans with wireless providers.
 - 10. Indicate whether to allow travelers to combine business and personal travel.

Prepared by JoAnn DeLuna with assistance from Pearson travel services manager Mitchell Stern, Hogg Robinson Group North America executive vice president of business management Neil Blaauboer and Travel and Transport dedicated travel manager Rita McKee. ■

Selecting a Travel Management Company



THERE ARE FEW CLOSER ALLIES IN THE SUCCESS OF A MANAGED TRAVEL program than a travel management company. Not only does a good TMC provide fundamental operational and tactical support for planning trips, making reservations, reporting data and tracking travelers, but your agency partner also lends strategic reinforcement and guidance. They can consult, negotiate and drive compliance. They can give clarity to benchmarking, traveler engagement, supplier relationships, technology deployment and policy. Corporate clients can outsource as little or as much as they like to a TMC, leaving a lot to consider when enacting a relationship. The aim is not simply about finding the right partner at the right price with the right terms but also about striking the appropriate configuration and service levels.

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 or 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.** U.S. companies that get an Airlines Reporting Corp. Corporate Travel Department designation can collect data, commissions and overrides and select whether to handle travel management functions in-house or to outsource them.
- 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 your current contract, such as those that prevent early solicitation; never agree to such terms. Make sure you have contractual language that addresses a three-to-four-month transitional service obligation, 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 internal departments, incumbent TMCs, charge card providers, suppliers and your data consolidator 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 crossborder. Provide the numbers 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

Continued on page 30





American Airlines 

**YOU KNOW MORE
OPTIONS ACTUALLY
MAKE THE CHOICE EASIER.**

That's why we serve more destinations with over 1,000 more flights a day than any other airline. This way, Travel Executives like you have the network you need to keep your company flying forward.

Continued from page 27

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, without disclosing the discounts, identify suppliers with discount contracts in effect. Provide additional information for miscellaneous activity, such as after-hours service calls, use of international rate desks, navigational support and non-global-distribution system 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 the benefits and shortcomings of the current service and staffing configuration, including the number of your offices where the TMC locates staff on-site, staff by job category and unique or special services provided. For on-site agents, 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 office 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 nonguaranteed 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, 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).

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 that the services meet your 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 avoid-

ance. Review their HR policies, training and turnover rates, especially for frontline counselors.

- D.** Evaluate the 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 apps 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, 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 GDSs, 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 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 & 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 or six weeks for a multinational proposal 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 the following in the RFP:

- A.** Bidding rules and information about weighted criteria, information security and data privacy requirements, standard terms and conditions, whether you'll require an in-person presentation 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, and in exchange, be ready to have your senior people there.
- 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 and 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 af-

fect service offerings, the winning TMC will have to observe them.

- C.** Ask for information on the TMCs' ownership, offices and call centers, operating hours and after-hours service and support, years in operation, headcounts, agents' average years of industry experience and length of time with the TMCs, 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 the 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 GDSs, 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.
 - 12. Emergency services; call routing; reservation changes; international services like 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.

- 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. 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. 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 each company's ability to deliver seamless service across its 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 do the TMCs deliver? 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 time line for receiving global reports, and how often are they updated? Are delivery and accuracy guaranteed?
6. How can travel and payment data be consolidated?

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 revenue 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 fees 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 and for refunds and cancellations.
 - i. For calculations of a transaction fee, determine if revenue should be retained by the TMC or returned to the company. All revenue 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 in others. It is vital that each office knows what it is paying for and receiving. Distrust can arise if revenue is 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 common, 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 overperformance. 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.

- 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.

- 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 provide transitional services if you exercise without-cause termination. Do not agree to automatic rollovers, but rather document that you'll 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 an agenda. Ensure the TMC brings people who can answer operational and technical questions. Consider separate Web conferences for demonstrations of technology.
- F. Visit TMC sites that reflect the configuration you desire. Meet the operations managers who would be assigned to your account and see how the TMCs 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 giving the references a survey.
- 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, plus sections for, financial, service-level agreement and data privacy and security.
- 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, 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 should define expectations and financial incentives and penalties.
 - 1. Consider positive financial incentives

Continued on page 36

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, fares 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 tools connect with GDSs to obtain inventory and allow for pricing and reservations.

>> SUPPLIER FOCUS

Southwest Airlines



Celebrating 45 years of service with continued expansion of our breadth of service and frequency in our top markets, forward brand momentum, and a new Business Development Department.

Southwest Airlines continues to differentiate itself from other carriers by providing exemplary Customer Service delivered by our 50,000 Employees to more than 100 million Customers annually. Southwest proudly operates a network of 97 destinations across the United States and seven additional countries with recently announced routes to Cuba.¹ We're taking TransfereencySM on a world tour with the continuing thread of hospitality.

>> Transfereency

Southwest provides everyday low fares, a simple fare structure, reusable travel funds,² and no hidden fees. That's Transfereency. Southwest Airlines fares are priced as one way tickets, allowing ease and flexibility when booking multi-city, circle trips, and more. Business travelers experience Bags Fly Free^{®3} and no change fees⁴ when your schedule alters.



>> Business Development & Corporate Partnerships

A recent reorganization moves our Corporate Sales Team into the newly formed Business Development Department. Southwest values our business travel partners and understands the importance of evolving to meet the changing needs of business travelers and corporate partners. Whether managing a multi-million dollar business travel program for a Fortune 500 company or making purchasing decisions for a single office start-up, Southwest Airlines' suite of business travel products, programs, and the dedicated Sales Team can help meet your business travel goals.

>> SWABIZTM

Southwest's free online corporate booking and management tool provides access to our everyday low fares with no transaction fees. SWABIZ allows Travel Managers the ability to track and manage their Southwest Airlines transactions with ease through real time reports available at the click of a button. Only SWABIZ Customers have access to exclusive business travel promotions. For qualified accounts, Southwest offers a SWABIZ Meeting program to help our partners manage their large meetings while lowering travel costs.

>> Business Travel Experience

Southwest provides a suite of distribution solutions to meet the unique booking needs of our corporate partners, and a streamlined in-airport experience for travelers. Business Select[®] fares guarantee an A1-A15 boarding position, extra Rapid RewardsTM points, a free drink (premium or alcohol) inflight on day of travel and access to our Priority Security and Check-in lanes.⁵ EarlyBird[®] offers automatic flight checkin and assigns you a boarding position 12 hours before general boarding becomes available. Your travelers can also purchase gate-to-gate Wi-Fi onboard⁶, allowing them to be productive while on the go. We also offer a selection of free, live TV channels that can be streamed via personal device.⁷

Southwest hires People who have a Servant's Heart so your experience every step of the way, from collaborating with our Corporate Sales team to your travelers' in-flight experience, should be hospitable, thoughtful, and memorable from beginning to end.

For more information, visit southwest.com/corporatetravel

Southwest[®]
Corporate Travel

¹ Pending finalized authority from the DOT and subject to requisite approvals from the Cuban government. ² As long as flight is changed and cancelled 10 minutes prior to scheduled departure; ³ First and second checked bags, size and weight limitations apply; ⁴ Fare differences may apply; ⁵ At participating locations; ⁶ On Wi-Fi-equipped plane; ⁷ Requires Wi-Fi-enabled device (802.11a/b/g or n) with an Internet browser and Wi-Fi-equipped plane.

Save the day and your bottomline.

At Southwest*, our Corporate Travel Team has you covered. They'll create a custom agreement that suits your company's needs with great benefits like low fares and no change fees*. Now you can stop stressing over travel budgets and feel confident you're getting the value you want. Visit [Southwest.com/corporatetravel](https://www.southwest.com/corporatetravel) for more information.

Southwest[®]
Corporate Travel

*Fare difference may apply.



Continued from page 33

- for high performance.
- 2. Include criteria for an overall rating on meeting program objectives.
- 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, incorporate 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 with opportunity to cure the breach. Contracts sometimes also allow you to terminate without cause with 90 days' written notice at any time.
- I. Make sure your firm owns all profiles and reservation records so you can transfer them 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-city trips, and against 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. Pay for tickets and deficits accrued before termination.
 - 7. 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.

Prepared by Jay Boehmer with assistance from industry lawyer Mark Pestronk and Corporate Travel Buyer Resources principal Donald Swartz. ■

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 cheaper seats.
- III. Trip improvements: Enable wait-list 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.

Getting Started With Meetings Management



STRATEGIC MEETINGS MANAGEMENT, WHILE RELATED TO TRAVEL MANAGEMENT, has become its own discipline. Though meetings can represent one-quarter to one-third of a business' travel spend, the costs fragment across units and get buried in multiple centers. Drawing this information into the light can be daunting, but more companies are trying. That's because meetings management is about more than cost savings, it also prepares organizations to manage crises and reduces exposure to lop-sided contractual terms, expensive litigation and tarnished brand reputation. Pharmaceutical, healthcare and financial companies additionally are motivated to manage meetings to comply with increasing regulatory scrutiny.

Meetings technology advancements have ramped up in the past year, with investors eyeing the space for growth opportunities. Meetings platforms have incorporated better mobile tools and have developed more advanced integrations with transient travel tools as well as marketing automation tools. As the process becomes increasingly data-centric, strategic meetings leaders may start to see a clearer picture of the return on the meeting investment.

I. BENEFITS OF MANAGING MEETINGS

- A. Cost savings.** This is often the impetus for a meetings management program, but many times proves not to be the most important outcome. That said, savings potential is significant; companies report 20 percent to 25 percent reduction in direct and indirect costs after establishing meetings management. Following are the rough savings targets. When creating a business plan for meetings management, it is wise to plan for conservative savings and overdeliver.
 - 1. Process automation: 3% to 6.5%.
 - 2. Policy compliance: 1.6% to 5%.
 - 3. Strategic sourcing: 4.8% to 8%.
 - 4. Visibility: 2.4% to 5.5%.
- B. Reduced contractual liability.** Fragmented throughout an organization, meetings are often organized by nonprofessional meeting planners. These planners may rely on personal relationships and/or sign binding contracts without seeking approval from a purchasing or legal department. Financial ramifications can be serious, and lack of visibility into overall meetings activities prevents them from replacing the business with another program to mitigate losses.
- C. Attendee safety and security.** Consistent meeting planning processes and sourcing requirements will include internal requirements for attendee safety, a review of the vendor's safety and security record, and onsite procedures. SMM leaders should

work with procurement, human resources, risk management and/or security departments to identify these details. Aligning the SMM to existing corporate duty of care policies and processes can go a long way in securing program adoption.

- D. Regulatory compliance.** Particularly in the pharmaceutical and healthcare industries, as well as in financial firms, regulatory compliance for meetings and events is top of mind.
- E. Meeting quality and delivery.** Without a clear planning process, significant variation in meeting quality and delivery is practically guaranteed. Overspending can deliver a quality meeting, but hurts the organization financially; careless planning delivers subpar events that deliver poor results even if costs are held in check.
- F. Brand consistency.** In the hands of multiple planners without clear direction and policy guidelines, an organization's brand may be diluted in its delivery to attendees—or worse, compromised by breaches in data or confidentiality.
- G. Attendee experience.** Related to meeting delivery and brand consistency, attendee experience of the brand, the level of the meeting product and the quality of the content should be streamlined and consistent within a managed meeting program.
- H. Return on investment.** All of these elements contribute to a meeting's overall return on investment for the corporation. Controlling spend is just the first step; delivering a quality meeting with the right branding and content in the right environment—and without undue distractions from mishandled or arduous logistics—contributes as well. A fully established meetings management program may also integrate with training, HR or CRM capability to track longer-term outcomes for meetings ROI.

II. DEFINING SCOPE

Given its complexity, many companies develop a meetings management strategy for a single market or a small selection of markets with intensive meetings activities. That said, larger regional and global implementations have become more common as local

programs have matured and delivered significant savings, productivity increases and risk reduction. Regardless of the ultimate goal, a phased rollout is a proven best practice.

- A. Local.** A local or single-market SMM implementation can provide quality learnings and a template for future rollouts in other markets. Starting small is often a smart strategy. Even within a local implementation, launching the effort with a small group of meeting planners to beta-test policies, processes and technologies is a best practice before rolling SMM out across an entire market.
- B. Regional or global.** When looking to implement a larger rollout, organizations should consider the 80/20 rule, determining which markets are the most intensive users of meetings. That said, simultaneously implementing SMM across all markets comprising that 80 percent is not advisable. Instead, a scalable approach that provides flexibility for each market is a best practice. Rating each market by the following attributes can help identify which to implement first:
 - 1. Comparative meetings volume.
 - 2. Meetings-associated spend.
 - 3. Stakeholder engagement.
 - 4. Technology readiness.
 - 5. Ease of entry in the market.

III. DISCOVERY PHASE

In this critical moment, be thorough, but avoid “analysis paralysis” that can come from realizing that the corporation may never uncover every meetings center in the organization, especially when scoping a regional or global program. Understand as much as possible, and trust that a managed meetings program, even partially implemented, will reveal more over time.

- A. Identify stakeholders.** Meetings management is often a grassroots effort in its early stages. Still, it is important to gain support even in the discovery phase. A meetings management program will touch meeting planners (both professional and occasional), travel management, procurement, legal, HR, finance and accounting. Corporate management will need to understand the overall strategy, while IT will need to understand goals for implementation and systems integrations. An early coalition of interested parties may grow into a cross-functional governing team

as an SMM effort formalizes.

- B. Identify synergies with travel management; recognize differences.**
 - 1. Similar supplier base. In particular, hotel, airline and travel management company (if the corporation's existing TMC partner has a meetings and events division) may all be areas of overlap between meetings and travel management. If the corporation has a ground transportation contract in place for transient travel, it could also come into play. As will a payment provider. Tapping contacts and supplier data could assist in the discovery phase for meetings management. Ultimately, supplier synergies could provide opportunities for joint contracting and leveraging the full volume of meetings and transient travel for negotiations. It should be noted, however, that meetings can require a list of additional suppliers rarely tapped by transient travel.
 - 2. Similar stakeholders and communication strategies. SMM's primary target is meeting planners, both professional and occasional, wherever those individuals reside within the company. To a lesser extent, SMM may touch travelers themselves, usually through online registration and booking workflows that require traveler compliance. For both travel management and meetings management, however, driving compliant behaviors in a target constituency is key. As such, similar change management and communication strategies come into play.
 - 3. Involvement of procurement. Like travel management, which has gained much from procurement perspective over the past 10 years, meetings management benefits from formalized negotiation and purchasing processes. Travel managers, in particular, are in a unique position to understand both the pain and the benefit of procurement's influence. This understanding will be useful for change management.
 - 4. Similar technology requirements. To a certain degree the technology requirements of travel and meetings are also similar, but separate systems are usually required. Recognizing some of the overlapping needs early in the process, however, can help SMM leaders to

anticipate useful technology integrations to ease the travel and meeting experience and to create insightful data reporting and dashboards.

- C. Identify current meetings spend.** Undoubtedly one of the most challenging aspects of scoping and implementing meetings management, identifying current spend should be considered an important effort, but not an achievable goal. This effort is most critical for grassroots meetings management efforts that require SMM leaders to build a business plan in order to attract needed resources. For some companies, an adverse event, such as breach of contract or unfavorable media coverage, will precipitate a quicker mandate to manage meetings. For those building a business case, check the following for meetings spend:
 - 1. Corporate card products and purchase orders (POs). Research current payment mechanisms used by the organization as they are a good place to begin a search for meetings spend, particularly if the organization uses procurement (P-cards) and/or meeting cards for any of its meetings, conferences or events. These key line item expense identifiers are commonly associated with meeting and event costs:
 - a. Conference center suppliers rental charges.
 - b. Large room blocks at airport or leisure hotels and venues.
 - c. Banquet charges at hotels or restaurants including meals for 10 or more diners.
 - d. Motor coach/group ground transportation and tour operators.
 - e. Destination management services including on-site staffing expenses.
 - f. Group tickets for entertainment.
 - g. Audiovisual charges, large hotel room blocks, banquet charges, etc.
 - 2. Follow the budgets; find out which departments have sizeable budgets set aside for on-going, client facing, product launches, consumer roadshows, etc. Investigate current pain points and map resolution to your SMM initiative. By offering a solution for current pain points to stakeholders, you enlist their support and participation. Don't try to boil the ocean by bringing all department business and their uniqueness into a managed

program at the same time. Look for scalability that can demonstrate proof of concept successes, then start to add different stakeholder groups. The following divisions usually house the lion's share of a company's meetings activities, but by no means is it an exhaustive list.

- a. Sales and marketing organizations. From product launches and large sales meetings to regional trainings, these divisions hold both high- and low-profile meetings. Higher profile events may be fully or partially outsourced to third parties, and are likely to be among the best managed meetings in the company. In addition to looking for meetings spend in these divisions, also review planning processes or informal policies for best practices. Acknowledging these may ease SMM buy-in for these divisions. Also inquire with this division whether any type of meetings technology has been implemented as this could influence the choice of SMM technology provider.
 - b. HR and training. Training and employee development meetings are common, but may be considerably smaller in scope when compared to sales and marketing events.
 - c. Service centers. Especially in technology companies, off-site client support and service meetings are common and may require teams to stay overnight.
 - d. Executive/VIP meetings. Often organized by executive assistants, this category of meeting may be among the most difficult to uncover as they are often meant to be high level and discreet. It is, nevertheless, important to understand their spend levels as well as the expectations involved so that a SMM program can support them.
4. Suppliers. Aside from payment providers, contracted hotels, airlines, ground transportation services and agencies often track meetings spend better than their clients. Go to them with a spreadsheet listing the required data and ask for as much information as they can offer.

- D. Understand types of meetings commonly held by the organization. Product launches, client-facing events, national and regional sales meetings, incentive travel, small executive meetings, training meetings, customer service meetings—and understand their relative goals, frequencies and sizes as this will be key to meetings policy.

IV. MEETINGS CONTRACT MANAGEMENT

In addition to cost savings, SMM efforts are often driven by a desire to mitigate contractual risk. Many companies experience financial losses from signing agreements with lop-sided attrition and cancellation clauses or when inexperienced meeting organizers fail to protect the company from a supplier-side cancellation. With the hotel category currently experiencing a strong seller's market, experienced contract management with tight approvals and workflow requirements has become even more critical.

- A. Standardize contracts. Establishing a standardized hotel contract allows organizations to "cut to the chase" when it comes to contract management. The standard agreement should include language that addresses cancellation and attrition liabilities, as well as an "Act of God" or *force majeure* clause that defines both supplier and buyer responsibilities should an unforeseeable event force the meeting to be cancelled. Some companies will not contract with vendors that refuse to sign their standard agreement; in a seller's market, however, this hardline approach may put an organization's meeting placement at a disadvantage.
- B. Require contract approval. When not using the standard contract—or when implementing changes or additions to the standard contract—a contract approval process is key. The agreement may be trafficked through a procurement professional or even a specified legal advisor, but whatever resource is used, the turn-around time must be reasonable or the organization will risk losing the proposal entirely.
- C. Limit signing authority on all contracts. Limiting the number of individuals who are authorized to sign meeting agreements offers two benefits: It ensures the contract has been reviewed by qualified personnel,

and it centralizes visibility into the organization's overall meetings activities.

V. ORGANIZATIONAL STRUCTURE & OUTSOURCING

No level of outsourcing is required to drive a sound meetings management program. The choice to manage meetings internally or externally—or in collaboration with a third party—largely depends on overall program or individual meeting complexity as well as on the amount of internal resources that may be dedicated to the effort. Companies with a handful of marquee meetings may choose to outsource a portion of the tasks associated with larger events, while delegating smaller programs to occasional planners supported by internal sourcing and contract management. The following organizational structures and outsourcing configurations are common. As a corporation's SMM program matures, these organizational structures and related workflows may change.

- A. Internal organizational structure.
 - 1. Centralized meeting department. With this structure, all meetings are funneled through a single meeting planning department for resource allocation, approvals, sourcing processes and logistical planning. This structure leaves the meeting owner free to concentrate on meeting content and delivery.
 - 2. Decentralized meeting planning + internal sourcing support. Often adopted by organizations with a large number of smaller meetings, a decentralized approach relies on strong policy compliance to drive the sourcing and contracting process through proper channels, while meeting owners handle the logistical and content planning. Meetings registration in a centralized "calendar" is critical with this approach, as is responsive support from sourcing specialists and/or legal teams.
 - 3. Centralized department + occasional planners + internal sourcing support. Even for organizations with large meetings volume and complex programs, a partially decentralized structure can be effective. Professional planners in a centralized meetings center likely handle large and/or complex meetings; smaller meetings with

fewer vectors for risk remain the purview of the meeting owner. Again, meeting registration in a central tool is key, along with tight workflows and approvals that prevent contract missteps.

B. Outsourcing options. If working with third parties to partially or fully outsource an SMM program, the organization must ensure that all third parties support the established meetings policy and workflow guidelines. If the organization has implemented a meetings technology solution, partners should be required to use it so that all data can be captured within the system to support reporting and business intelligence goals. Contracts with third-party suppliers should include key performance indicators, and, depending upon the depth of the relationship, may include incentives for achieving certain savings or management goals.

1. External sourcing support. Whether an agency partner or meetings sourcing specialist, these partners will research appropriate venues, manage the request for proposal process, negotiate added value benefits and facilitate the contracting process. In addition to managing the process, third-party partners may be able to garner better rates and inclusions due to their high volume purchasing. In many cases, sourcing specialists are compensated by the venue where the business is placed (e.g., 10 percent of total room nights).
2. External sourcing and planning support. In addition to sourcing support, agency and meeting management partners offer logistical planning support. Organizations may find this type of outsourced help valuable for large and/or complex meetings types, such as product launches, national sales meetings or consumer events. Organizations may also rely on outsourced logistical and planning support when dealing with large meeting volumes, allowing internal planners to concentrate on content delivery and strategic goals.
3. Fully outsourced SMM. Because it is not a core business, some companies outsource much of the planning, implementation and maintenance of a meetings management program

to a third-party partner or partners. Particularly when the effort has a regional or global scope, the expertise of specialized meetings management companies can be invaluable. Whether the organization chooses to outsource to a single partner or execute a more regional or local strategy often depends on organizational culture. A local or regional approach may be more difficult from a supplier and data management perspective, but can facilitate adoption as stakeholders may continue to work with familiar partners.

VI. MEETINGS POLICY

A. Developing a meetings policy is a core component of meetings management. It should reflect the company culture, include approval workflows and identify exceptions to the general policy wherever applicable. Recognizing the diverse objectives of their meetings, some SMM teams create tiered policies according to meeting type when it comes to budgeting, assigning the appropriate venue class of service, parameters for food and beverage, etc. Some companies implement a different level of approval for small meetings versus larger meetings, resulting in different workflows. In general, however, a meetings policy should define roles and responsibilities for meeting planners and stakeholders, and include the following elements:

1. Meeting registration and approval criteria.
2. Supplier sourcing guidelines for air, hotel and ground transportation.
3. Contracting requirements, workflows and approvals.
4. Use of supplier sourcing tools.
5. Budgeting guidelines.
6. Preferred payment method(s).
7. Use of attendee registration and management tools.
8. Food and beverage guidelines.
9. Meetings ethics, including points/loyalty programs, gifts, free room nights, etc.
10. Guest and spouse attendance.
11. Attendee safety and security requirements and procedures that support corporate Duty of Care guidelines and policies.
12. Consequences for non-compliance

to the meetings policy.

- B.** Meetings policy should be easily accessed and clearly communicated via a corporate intranet, but posting policy guidelines is rarely effective in driving full awareness. Specific communications and trainings should be part of the overall compliance strategy. Some companies with extensive meetings programs establish on-going best practice education sessions to support awareness and meeting planner education.
- C.** Program policy and workflow parameters should be embedded in a meetings management technology tool for consistency of execution and compliance.
- D.** Meeting policies should be reviewed annually to ensure relevance especially with multi-generational workforce dynamics currently in play. Special attention should be given to communications about SMM policies or training, etc. The communication methodology for SMM should not be one size fits all. Identify various communication channels and post relevant content accordingly.

VII. MEETINGS MANAGEMENT TECHNOLOGY

Meetings management technology creates the backbone of a successful SMM program. Not only does it create a central data repository for meetings activities, but also standardizes workflow and may dictate certain choices to ensure meeting planners remain within policy. Meetings technology tends to be modular, and many companies begin their exposure to meetings tools through event website creation and attendee management modules. Extending the use of technology beyond individual event support is critical for SMM.

Understand that SMM technology likely will not satisfy the technology requirements for large scale conferences and events. The required functionalities for conferences and events are more complex and often times require customizations. Attempting to get your marketing and event organizers to scale to your SMM technology may result in loss of credibility and cooperation. For these stakeholders, target areas where SMM can assist like in eRFP sourcing and contracting, payment and data collection/reporting, etc.

A. Required capabilities.

1. Planning. Event registration and

- central calendar.
- 2. Sourcing. eRFP and supplier data.
- 3. Budgeting. Budgeted, negotiated and actual costs.
- 4. Attendee management. Invitations, websites and attendee information.
- 5. Reporting. On spend, savings, suppliers and attendees.
- 6. Mobile applications. Data from mobile apps has grown in importance especially with regards to attendee engagement and direct real-time feedback.
- B. Configuration.**
 - 1. Don't use more technology than is required. A full technology suite is a powerful tool for SMM, but even a small implementation can make an impact. For example, by requiring event registration in a central calendar, organizations can implement an approval process and vastly improve visibility into overall meetings activities. Companies may choose to implement certain modules first and then add as the SMM effort matures.
 - 2. Simplify workflows. Meetings technology tools offer extensive policy and workflow configurations. These are invaluable for customizing the tools for each organization. Just because it can be done, however, does not make every configuration capability worth using. This can be a temptation, particularly for programs with tiered meetings policies and workflows. Simplifying choices, creating "lite" forms and workflows for simple meetings and more complex data capture for larger events can be helpful for driving adoption and reducing training—particularly for occasional planners.
 - 3. Ensure local customization. Especially for global programs, ensure the technology platform offers multiple languages and local customization options. Only allow customizations to data collection that will not undermine the standard consolidation of spend, savings, supplier and attendee data.
- C. Technology integrations.** More advanced SMM programs are increasingly integrating meetings technology with transient travel tools and other employee technology systems.
 - 1. Transient online booking tools. Particularly for internal meetings, integration with OBTs can provide

organizations with the ability to understand what portion of overall business travel is actually related to the organization's meetings activities.

- 2. Global distribution systems. Integrating with global distribution systems and OBTs allows for real-time visibility into room block availability.
- 3. Payment. Integrating with payment tools can facilitate spend reconciliation.
- 4. Customer relationship management tools. Some companies are integrating meetings tools, particularly mobile meetings apps, with CRM to track follow up from client-facing events and longer-term business opportunities and conversions to better quantify return on the meetings investment.

VIII. MEETINGS PAYMENT

Consider using a specialized meetings payment card for all meetings purchases. This payment option offers companies an easier way to categorize meeting line items, reconcile accounts and streamline the payment process. Consider the following best practices:

- A.** Consolidate meetings spend with a single provider. This will allow the organization to drive better rebates based on total meetings spend volume. Consider using the same provider as the corporate card to leverage joint volume. Pick your card provider according to your SMM strategy; if your goal is to have a global SMM card provider then research card acceptance information during your RFP so it doesn't become an issue after deployment.
- B.** Current best practice is to generate an individual card for each meeting. This requires expedited request and disbursement on the part of the organization, especially for meetings with short lead times. Assigning an individual meeting card per meeting can ease reconciliation processes for planners and/or accounts payable. Card set-up can be configured to whatever process is most acceptable to the corporation for example, some prefer one parent card for all meetings and identify expenses per meeting engagement by unique meeting identifiers.

IX. DRIVING ADOPTION

Meetings management initiatives take time and resources. Many organizations

do the legwork to understand meetings spend, analyze their markets, source good suppliers and invest in technology only to stumble when it comes to adoption efforts. To succeed, organizations must also budget and plan effectively for change management and create a realistic adoption roadmap. Following are several strategies to maximize SMM results:

- A.** Participation. Allow meeting planners of all levels to have a voice when designing a SMMP.
- B.** Position as a resource. Market the program as a support structure for planners. Show how new tools and processes will alleviate pain points.
- C.** Pilot. Test the program with a select group of planners to work out any major glitches. Get feedback and make changes.
- D.** Communicate and train. A communications campaign is critical to SMM success, but go beyond a one-time promotion by offering lunch-and-learn education sessions, online learning opportunities and a dynamic "planner community" resource.
- E.** Get more feedback. Create a channel for ongoing feedback. Planners of all levels will be able to suggest program refinements. Look for tool configurations or workflows that are not effective and change them.
- F.** Make exceptions to policy. Regardless of the range of suppliers chosen or the number of meeting tiers included in policy, consider an official approval process for allowing planners to book non-preferred suppliers for specific programs.
- G.** Understanding stakeholder needs and drivers is critical for adoption and SMM deployment success.
- H.** Senior executive champions and support. Without executive stakeholder support and champions SMM deployment will be challenging. Close the loop by ensuring those executive stakeholders get regular monthly reports of only high level summaries of SMM successes and gaps. Identify areas of opportunities and ask for their help to close existing program gaps and non-compliant departments.

Prepared by Elizabeth West with assistance from GoldSpring Consulting senior consultant Kevin Iwamoto. ■



3RD ANNUAL

innovate

For the advancement of business travel

[SEPTEMBER 27-28, 2016]

New York Marriott Marquis • New York City

JOIN *BUSINESS TRAVEL NEWS* AND *TRAVEL PROCUREMENT* FOR THE ONLY INDUSTRY EVENT THAT COMBINES...

- * Cutting-edge buyer education
- * Technology innovators and influencers
- * Networking with 300 of your business travel peers

DRIVING CRITICAL CHANGE

Innovate attendees will take on five tough industry issues identified by BTN Group editors and a steering committee of executive travel buyers. Your recommendations drive these deep-dive discussions that serve as catalysts for industry progress and form the basis for so.

BTN Group editors will develop roadmap white papers based on the findings from the discussions.

THINK TANK DISCUSSIONS:

- Data Privacy & Sharing
- Traveler Engagement/Behavior
- Yield Management Yin Yang
- Sharing Economy Policy
- End-to-End Travel Management Systems Integration

REGISTER NOW!

Early Bird Registration through July 15, 2016



Avis
Budget
Zipcar
Payless
Apex



INNOVATOR LAB SHOWCASE

When innovators compete, the industry wins.

See new technologies poised to change the business travel industry. Top executives present cutting-edge products, technologies and services targeted to the business travel industry. A panel of judges will critique presenters and choose the 2016 Business Travel Innovator. Event attendees will choose the People's Choice Award Winner.



PICTURED FROM LEFT: Roadmap CEO & Co-Founder Jeroen van Velzen, BTN Group Editorial Director David Meyer, Roadmap CCO & Co-Founder Koen Bavinck, BTN Group Editor-in-Chief Elizabeth West, Roadmap CMO & Co-Founder Markus Emmer.



CAN'T MISS GENERAL SESSIONS

"Innovation and Disruption" by Terry Jones, founder of Travelocity.com, founding chairman of Kayak and current chairman for Wayblazer, a company designed around Innovation and travel

Business Travel News 2016 Travel Manager of the Year & Best Practitioners will take the stage and discuss their efforts to impact their programs and the industry.

2015 ATTENDEES SPEAK OUT...

A lot of travel know-how and sharing in one place.

- Timothy O'Kronley, Procurement Manager, Dechert LLP

What an awesome event—truly the best conference from a content perspective I have been to in a very long time. It was great being around such creative, strategic and collaborative people for two days.

- Robert Jacobsen, Senior Manager, Travel, Expense, Card, T-Mobile US

This was my first BTN Innovate conference and I am glad that I attended. I learned from others, shared my knowledge and made new contacts. Thank you for all the effort that went into arranging a successful conference.

- Ellen Moens, Manager, Travel and Administrative Services, CARE

BTNIinnovate.com

BTNGROUP CONFERENCES

BCD travel

BW | Best Western.
Hotels & Resorts

Carlson
Wagonlit
Travel

CHOICE
HOTELS

cvent

DELTA

OMEGA
WORLD TRAVEL

roadmap

Sabre

Southwest
Corporate Travel

travel and
transport

UNITED
A STAR ALLIANCE MEMBER

Setting Up A Corporate Lodging Program



WHILE THIS YEAR IS EXPECTED TO BE THE PLATEAU OF A BUSINESS CYCLE

in which hoteliers' have gained more and more power at the negotiating table, hotels will still have near-record occupancy levels on their side. Lodging typically comprises the second-highest area of spend for a corporate managed program, so it's vital that buyers take advantage of the shifting power dynamic to try to negotiate better rates. The following guide outlines industry best practices to aid buyers in offsetting costs and navigating the challenges of the current lodging landscape.

I. SETTING GOALS AND STRATEGIES AND PREPARING FOR NEGOTIATIONS

A. Determine the goals you want to achieve in your hotel program, and evaluate the resources and time needed to accomplish them. Determine whether your hotel program will be mandated or strongly encouraged. Consider viability and the return on investment of internally managing the entire process with your own team. Do you have the resources available and do those resources have the required skill set? Otherwise, an option is to outsource all or a portion of the work to your agency—travel management companies often have a department that specializes in hotel sourcing—or one of the numerous consulting firms with expertise in the hotel segment. Determine your lodging strategy for the year based on your organization's requirements, your travelers' requirements and industry trends. Survey your top travelers to find out what matters most to them, including rate, location, safety/security and amenities. Share these goals with your hotel partners, as they may have additional suggestions and will have options to help you meet your goals. Be consistent with your messaging on goals to all suppliers throughout the process. Keep in mind current hotel market conditions and whether rates are likely to increase or decrease over the next two years. If they look like they

will increase, consider pursuing multi-year deals. If they look like they will decrease, look for shorter-term deals.

B. Identifying spend: Hotel spend can be as much as 40 percent of overall company travel and expense. It is not homogenous, and a fully managed program will harness direct participation from various internal groups and stakeholders. Involving all stakeholders at the outset of the project will maximize the accuracy of your spend data. Subcategories of hotel spend include business transient, project or extended stay, meetings and relocation (which might include serviced apartments). While each subcategory may require unique management processes, it is important not to manage hotel spending in silos. Fragmenting hotel spend inevitably will result in suboptimal data capture and loss of leverage, resulting in lost savings. For optimal discounts, you should know total spend by city, property and chain and understand your ability to shift share. Many booking tools offer the ability to tier hotels, identify best-value hotels and add notes to highlight hotels.

C. Gathering data: Hotel sales managers expect business travel buyers to be able to justify projected room night volumes before sitting down at the negotiating table. Buyers should approach negotiations armed with validated historical information to show the organization's specific travel patterns (day of arrival/day of departure), projected room nights and average rates. Prepare to review cost-of-stay information, use of Internet, breakfast and parking, as well as which costs are covered by your travel policy, including on-demand videos, fitness centers or laundry services. Where possible, include meetings-related room night spending, including meeting space, food and beverage

and equipment costs.

1. Determine the needed fields of production data, and if working with a company to consolidate your data, establish with it the correct fields to collect. If possible, collect data at the individual-record level, not the aggregated level, to ensure detail. Use the following sources to collect hotel spend and room night data:

- a.** Travel agency reports will contain your agent booked data and also online booked data fed into the back office. If you have a direct relationship with an online booking tool provider, for both hotel and air, confirm whether the data is being transferred into the agency data. Note that travel agency reports are booked data, not consumed data, and can vary slightly to significantly from hotel reporting, as cancellations, reduced stays or extended stays might not be reported back to the agency. It also will be missing hotels booked direct, which on average can be as much as half of an organization's hotel bookings.
- b.** Open booking data sources: There are a number of companies including trip-Scanner, Runzheimer, Traxo and Concur that can help aggregate data from hotel bookings made outside your TMC, but they require that the employee "opt in" to their service. The best source to identify by property hotel spend that was not booked through the authorized TMC is your corporate card provider. You can also get data from your expense reporting system, though it is less granular.
- c.** Credit card reports: To validate the value of the card spend, understand whether your corporate card is mandated, strongly encouraged or optional for hotel reim-

bursement. If possible, ask for meeting spend to be separated from the transient spend. E-folio data, which provides detailed spending data about hotel stays, is becoming increasingly available through corporate card providers and hotels but as yet is not consistently available across all hotels within a chain or available from every hotel. Detailed hotel credit card data is not available in many countries outside the United States; additional analysis will be required to develop actionable data for negotiations. Research confidentiality laws if you use e-folio systems.

- d.** Expense management system: These reports may be a challenge to use, as critical fields of information may be missing, such as hotel name and address, which limits the value of the report. Understand exactly what spend is contained in these reports, and be prepared to explain the nuances. However, this report may well provide some indication as to leakage in your spend when compared to the credit card and the agency data.
- e.** Hotel suppliers: If you are working directly with a chain through a national account manager, ask him or her to provide you with the hotel production report for the chain. Otherwise, you can contact the hotel directly and ask what production it has tracked. Compare this data to your own internal reports and question it if it varies considerably, as the data at times can be inaccurate.
- f.** Meeting suppliers/meeting registration lists: A comparison of the different sets of data will allow you to see a more complete picture of your total hotel spend and identify gaps and weaknesses in the different data sets.

Analyzing multiple sources of data will allow you to leverage higher volumes in your negotiations and to understand your market share potential.

- g.** Airline data: The advantage of using this data point, is that it may capture a more accurate picture of regional or market room night potential. The downside is that it does not help to highlight the specific destination, or at which hotel the traveler eventually stayed. It will, however, help to clarify a picture of your overall travel footprint.
- 2.** In addition to hotel spend and room night data, travel buyers should request from facility management a list of all corporate locations with complete mailing addresses. In some organizations, it will be important to determine a list of client offices that are visited regularly. Determine by location whether travel primarily is inbound to or outbound from the location to ascertain whether a nearby hotel would be required. Having a complete address will allow you to map distances from facilities/offices to potential hotels to include in your program. If possible, see if geocodes can be included in the facility information to speed up the process for mapping purposes.
- 3.** Specific information about your organization's travel program will be mutually beneficial for potential hotel partners to have. Other useful data could include:
 - a.** The number of hotels in a given city (broken down by downtown and airport locations) you intend to include in the program. In general, secure one or two hotels in every primary market with 500 or more room nights. High-demand cities might require more hotels to support high-occupancy periods.
 - b.** Destinations visited at least

once a month, including the number of booked room nights from your consolidated volume reports.

- c. The number of travelers that visit each city monthly or annually, determined by airline data.
- d. An overall indication of the corporate travel policy, including use of booking tools, any recent changes and traveler adherence, as well as any proven ability to shift share as the result of obtaining or losing a discount.
- e. The number or percentage of hotels in each price tier—budget, economy, midprice with food and beverage, mid-price without food and beverage, extended stay, upscale, upper upscale and luxury—used in each city, and changes to that trend over time.
- f. Average length of stay in various cities and at various types of properties.
- g. Seasonality of business and typical day of week use.
- h. Information on past use of and preference for hotel services and amenities, as well as any forthcoming policy changes that would affect their use. Share information with suppliers on such amenity preferences as Internet or breakfast, in addition to overall program goals in terms of amenities and special services.
- i. Changes such as acquisitions, mergers, divestitures, new offices or office moves or staff changes that could affect hotel usage.
- j. Historical and anticipated project spend.
- k. Your own company's growth cycles, including projected hirings and layoffs.
- l. Meetings and incentive trip data. Request historical meetings and project data so you can negotiate in high-volume markets that are not a major part of your

transient travel program. Details could include:

- i. Number of scheduled and potential meetings, incentive programs and trade shows held. Provide separate data for annual meetings—including board of directors, customer, incentive, sales and shareholder meetings—versus spur-of-the-moment, offsite staff meetings less likely to be regularly scheduled.
 - ii. Mandates built into the travel policy that require meeting attendees to book rooms reserved as part of a negotiated room block to minimize attrition.
 - iii. Meeting types and lengths.
 - iv. Number of employees or customers attending the meetings.
 - v. Cities used.
 - vi. Types of hotels used.
 - vii. Arrival/departure patterns.
 - viii. Type of food and beverage service provided, including private dinners and banquets.
 - ix. Use of audiovisual, video-conferencing, Internet and audience-response systems.
 - m. Taxes/surcharges: For budgeting purposes, factor in hotel occupancy taxes and additional city and state taxes or fees and any surcharges. Many municipalities in recent years have enacted significant "bed taxes" to pay for infrastructure improvements, which dramatically increase hotel costs. Surcharges, usually assessed at a flat rate instead of a percentage, add further costs. Travel buyers can move group bookings to destinations where the tax bite is lower. Negotiating noncommissionable room rates also can save on total taxes paid.
- D.** Evaluating the business need for different hotel types: Depending on the number of travelers, types of travelers, the locations

they visit and the frequency and purpose of those trips, buyers may prefer to deal with a mix of large, convention-style hotels and smaller, more intimate boutique properties. Negotiating chainwide deals with large, multibrand companies might make the most sense, or buyers might opt to work primarily with independently owned and managed properties. Buyers should include extended-stay hotels or serviced apartments, or negotiate long-term stay discounts with standard hotels, for project or relocation spend, including engineers, consultants, trainees and trainers who need a place to stay for more than five nights. Usually, a hotel program will incorporate multiple options to provide coverage to include preferred hotels, chainwide agreements, agency hotel rates, project rates and meetings and events.

1. Hotel chains.

- a. Negotiating a chainwide deal might allow you to leverage your travel volume to the greatest effect, especially if many of those nights are booked in second- or third-tier cities, where the volume of business travel is less than in key cities. Multiyear chain deals can save time and money for future negotiations and include value-added amenities unable to be negotiated locally or regionally. This might be difficult in smaller programs, as hotel chains may look for a minimum spend with the chain to qualify. Also, because hotels often operate on a franchise model, local hotels may opt not to participate and often will not take global purchasing power into consideration when determining rates. Commonly, hotels will ask for corporate clients to commit to no more than two or three chainwide deals per region. Chainwide deals often are dynamically priced, with an established percentage off

best available rates. In many cases, these can be as good or better than a flat discount and can include amenities. Some chains will offer a combination of fixed-rate pricing in high-volume cities and dynamic pricing for all other locations.

- b.** On a case-by-case basis, it may be efficient and cost-effective to negotiate with one national account sales manager, thereby establishing a single point of contact with the hotel company, rather than negotiating with multiple sales managers at various hotels. However, corporate clients may have to qualify with hotel chains to receive global or regional representation. Also note that a national account sales manager also will be negotiating on your behalf with local, independently owned properties.
- c.** By working with a multibrand hotel company or companies, you are able to include hotels at different price points in a single negotiation. While travel buyers once gravitated to upscale, upper upscale or even luxury hotels to house their travelers, midprice brands' offerings and service levels are acceptable to many business travelers.
- i.** The value created through free breakfast, free high-speed Internet, airport/local transportation, laundry services and free parking might make certain properties more attractive. Focus on the cost-of-stay impact, not just the rate, and ensure travelers are aware of the value of complimentary amenities and use them whenever possible. Boosting program compliance requires understanding what travelers find attractive. The lowest price is not always the best value when considering

the amenities that drive up total cost of stay.

- ii.** As corporations increasingly move out of city-center locations to the suburbs, the most conveniently situated and newer hotels most likely are mid-price, but buyers will need to do research to find the best locations within a safe area of the suburb. Mid-price offerings often do not include meals beyond a buffet breakfast, which typically is free to guests, and grab-and-go types of meal offerings. In-house full-service restaurants in midprice properties, especially new builds, are becoming rare, due to the high operating costs of this model to hoteliers.
 - d.** Not all multibrand hotel companies have the same range of brands. Some have brands concentrated only in the mid-price and economy categories, while others offer a broader range of options from luxury to low-cost hotels.
 - e.** Even though demand for hotels in small, tertiary markets might be for fewer room nights than in key cities, the more modest number of rooms might not necessarily translate into less negotiating leverage. Given how local markets operate, hotels may welcome even relatively small volumes of business. Buyers may be able to benefit in lower-demand markets with dynamic pricing as best available rates float down.
- 2. Individual hotels.**
- a.** Discounts obtained through volume-based negotiations can be greater when dealing with individual hotels directly than when negotiating chainwide rate concessions.
 - b.** A hotel program for a city can consist of just one preferred hotel or as many as a half-dozen. Normally, the

best rates are achieved by limiting the number of properties per city, which will drive more volume to those hotels, assuming you have good compliance to the hotel program. In high-occupancy cities, however, multiple hotels covering multiple brands typically are required to ensure travelers will be able to secure availability at a preferred property. Also, different tiers of hotels might be required to support different business needs, e.g., extended stay versus meeting versus transient.

E. Creating a solicitation bid list.

- 1. Chainwide deals:** Make sure the hotel chains you select have properties in most, if not all, of the key destinations your business travelers visit, including international locations.
 - a.** Ensure regional chains' distribution is not too limited to suit your needs.
 - b.** Start by assessing chain representation in your highest-volume destinations, then move into lower-volume destinations in declining order of demand.
 - c.** Ensure that the hotel chains offer the range of brand categories that meet your travelers' needs.
 - d.** Consider location and quality of the chains. Negotiate with several to get the best deal, and choose at least two to keep rates competitive.
- 2. Properties in close proximity to the traveler's final destination should be considered.** The organization's facility list mentioned earlier will help with this determination. Know your business and recognize that not all travel is to a corporate location. Other considerations include safety/risk of the area, access to restaurants and shopping or public transportation. Taken together, the "closest" property may not be the best choice. Also, be aware that "close" can

mean something very different in each city and is dependent upon the geography of the city and the mode of transportation most commonly used.

- a. If your travelers tend to rent cars, the difference between a hotel five minutes from their business appointments and one that is a 10-minute drive away might not be significant. In fact, you may get better value by choosing a hotel that is only slightly farther away, such as in a suburban location. Consult your risk department for feedback; having travelers drive longer distances in unfamiliar cities may pose an increased risk.
- b. Consider hotels that offer airport and/or local transportation that reduce the need for a rental car. Be sure to consider hotel parking charges. This is especially important with hotels that may host multi-day meetings—having a traveler's car sit in the parking lot during those days may be less cost effective than local or hotel transportation.
3. In some cases, it might be wise to choose a range of properties in each high-volume destination: downtown, a suburban location and a site near the airport. Today, multibrand hotel companies think of such gateway cities as New York, Los Angeles, Boston and Chicago as a series of submarkets, and they have multiple properties in each of them.
4. Buyers primarily want to be sure to select properties located where it makes the most sense for their travelers. The analysis of the different travel data sources mentioned earlier will uncover those trends. Otherwise, travelers have more reason to book elsewhere and compliance with travel policy becomes an even greater issue.
5. While most large hotel chains offer loyalty reward programs to travelers, you need to balance this with your organization's goals. Educating your travelers on the travel policy and why it exists as well as understanding your travelers' preference for these reward programs can help you achieve higher compliance to the program. Requesting hotels to guarantee loyalty status matches can help you change brands, should the economics be in the organization's interest. You also may need to factor in the corporate travel policy in relation to travelers' ability to earn and keep rewards points related to corporate business. Some programs opt out of the points game to avoid conflict with the overarching corporate travel goals.
6. Individual/independent hotels.
 - a. Approach hotels that are:
 - i. In safe areas and located in close proximity to sites travelers visit in key destinations, especially corporate and division offices.
 - ii. Willing to offer pricing and services in line with your budget.
 - iii. Frequently used by travelers and meeting planners.
 - b. In a given city, any of these factors may be more important than others, depending on whether your corporate culture is oriented more toward savings, traveler convenience, productivity or safety. The level of policy strength senior management is willing to support also may be a factor in developing strategy. Consider site visits to independent hotels to ensure quality and safety. Don't rely solely on online reviews.
 - c. A solicitation list should include properties already familiar with the organization's travel patterns. Start by examining data on those properties in each market that your travelers already are booking. If you are working with national account managers for specific chains,

you can ask them to submit business cases for specific hotels based on the data you have provided, such as city volumes, type of hotel used and business patterns. This review of hotels willing to bid prior to launching the request for proposals is an efficient way to create a clean and thorough solicitation list.

- d. Before agreeing to a preferred relationship with a hotel, be sure travelers realistically will use the hotel for a reasonable number of annual room nights. A strong, enforced travel policy will help drive greater compliance. Avoid committing to a specific room night volume if possible.
- e. If your organization has the capability to shift market-share, consider accepting unsolicited bids in the next year's bidding process from hotels used by travelers when they book outside of policy. These properties may turn out to be the best fit for your program, based on both rate and location, considering that travelers have opted to stay there on their own initiative.
- F. Establish key contacts: After identifying individual hotels and chains for program consideration, contact the right people to get the negotiations started. In the typical hotel, unless there is a corporate transient specialist, identify the sales manager or director who has the authority to negotiate rates. Pre-RFP, email the contacts to confirm the contact name and email address for the hotel. Obtaining the right contact name before launching the RFP will significantly help to keep your solicitation process on time. These hoteliers could include:
 1. The hotel's national sales office and general sales office staff.
 2. Property-level sales directors or hotel managers.
 3. General managers or hotel owners.
 4. Regional director of sales.

5. Hotel property management companies as an alternative to or in addition to chain contacts, given that the goals of chains and actual property owners may differ.

G. Some larger brand hotels are not offering flat negotiated rates as they shift to a dynamic-pricing model. Conduct a pre-RFP call and request that your top hotel chain partners solicit the hotels to determine if they'll offer a rate. Obtaining this list prior to the RFP will save time and resources during the negotiations. If hotels on the list are important to your hotel program, you can raise the issue early with the national representatives or hotels directly.

II. NEGOTIATION TOOLS

A. RFPs.

1. When gathering information, consider using as a guideline the standard RFP format developed by the hotel committee of the Global Business Travel Association or another widely accepted RFP format. GBTA's modular RFP supports dynamic pricing requests, addresses the needs of the physically challenged and factors in such environmental issues as hotel carbon-offset programs and recycling and water conservation initiatives. Many hotel companies have programmed their internal systems to easily answer the questions in this format. Although GBTA has worked to make the RFP more global, hoteliers in some regions of the world, particularly Europe, the Middle East and Africa, might not view the GBTA RFP as a global format.
2. Several suppliers also provide electronic RFP tools, often similar to the format created by the Global Business Travel Association.
 - a. Third-party hotel representation firms have evolved to provide this technology on behalf of buyers and hotel clients.
 - b. Many hotels already have entered electronic versions

of these forms into their computer databases so they can quickly respond to travel buyers' inquiries and ensure the supplied data is accurate.

- c. Historically, hotel companies outside the United States faced more challenges in responding to RFPs electronically. The gap has narrowed considerably in the past few years as Asian and Latin American hotels in particular have focused more attention on responding to RFPs accurately and in a timely fashion. Many of the obstacles are due to language difficulties differences in how dates, telephone numbers and other details are recorded. Electronic requests for proposals can offer hoteliers options to select the date format for ease of use. Consider engaging internal or external resources familiar with the local language and culture to assist with optimizing the RFP structure.
 - d. Such technology can be costly, and typically is charged per hotel, so you should be strategic in narrowing down to hotels where you have a significant volume and can gain savings.
3. For buyers of programs with many international hotels, confirm with sales contacts that they have the necessary expertise in-house to complete requests for proposals or are prepared to bring in outside support.
- B.** Consulting support options.
1. Consulting departments within TMCs can develop corporate hotel programs for a fee, or may provide them at no charge as part of an overall "soft dollar fund."
 2. There are also a variety of consulting firms that can develop corporate hotel programs and/or specialize in managing the hotel RFP process for corporate clients. Some of these firms offer post-RFP auditing services to ensure that negotiated hotel

rates are fully and correctly loaded, authorized and available to be booked and competitive against online travel sites. This is especially important where the corporation has negotiated last-room availability.

- a. In some cases, an RFP provider without rate-auditing capabilities will provide scrubbed data to a third party that specializes in rate auditing. Such scrubbed data ensures the property ID numbers and chain codes provided by the property are complete and accurate.
- b. Each hotel has a unique property code for each global distribution system and the correct rate will not be loaded if the appropriate global distribution system code and two-letter chain code is either missing or incorrect.
- c. Consider whether it is more efficient and cost-effective for your organization to outsource this process than to do it in-house. This may entail conducting an RFP of sorts for an outside RFP provider. The value to the buyer is an accelerated process as well as valuable benchmarking data on rates.
- d. Charges vary widely for the service, depending on the number of cities in the hotel program, whether it is strictly domestic or a combination of domestic and international and the number of hotels in each city being solicited and accepted. Check whether there is an additional charge for unsolicited bid requests after the initial RFP is launched. Additional services might include hotel program performance reporting and program optimization. Buyers should seek recommendations and referrals from colleagues who manage like-size programs when selecting the most appropriate third-party RFP provider. You may also

Working With Corporate Housing

I. INDUSTRY OVERVIEW

A. Corporate housing, usually referred to as “serviced apartments” outside North America, describes several types of accommodations that vary by region.

1. Furnished apartments, usually for stays of at least 30 days. These are not necessarily in full properties dedicated to corporate housing; guests often live among full-time residents. Most do not include reception areas. Suppliers own some units and sublease others. Services like cleaning, Wi-Fi and utilities often are included.

2. Extended-stay hotels: Similar to hotels with lobbies, reception areas and public spaces. Rooms include such living essentials as kitchen and dining areas, in addition to the usual hotel layout and range from economy to luxury. These largely appear in North America but in recent years have expanded in other geographies, including Asia-Pacific, Europe and the Middle East.

3. Condo-hotels: Accommodations available for lease in condominium properties, predominantly in South America.

B. Bookings/distribution: Most serviced apartments are bookable online but not available through global distribution systems and online travel agencies, particularly from suppliers with smaller inventories for which the costs of such channel would be prohibitive. Fluctuating inventory and variable stays—guests often need to extend stays, for example—make it difficult for suppliers to manage long-term reservations request online.

C. Consistency: Outside extended-stay hotel brands, serviced-apartment quality tiers remain less defined than those in the hotel

community, so extra research is required to assure proper levels of services and amenities. Few accreditation bodies exist for serviced apartments, and many of suppliers simply rate themselves.

II. GATHERING DATA

Pull your program’s lodging data and sort by length of stay, examining revenue spent for various ranges—five days or fewer, six to 14 days, 15 to 29 days, more than 30 days—to find opportunities for a corporate housing program to produce savings.

A. Where to find data.

1. Agency: Your travel management company can help identify long-term stays within your program.

2. Corporate card: Identify vendors that travelers outside the managed program are using.

3. Expense.

4. Other departments within your company: Consider upcoming projects that might require long-term stays.

5. Pricing information for cities where you plan to develop a program.

B. Make sure data is comparable, e.g., whether spend data includes taxes or additional amenities.

III. SOURCING

A. Identifying vendors: Few serviced-apartment vendors have a global footprint compared with the largest hotel companies, so you’ll need multiple vendors for each geography. Resources for vendors include other travel management professionals and specialized agencies like The Apartment Service in Europe.

B. Vendors will expect you to know:

1. The average length of stay: Local regulations bind some serviced apartments to minimum-stay requirements.

2. Projected number of room nights.

3. Unit-size profile: studios, one-bedrooms, two-bedrooms, etc.

C. Considerations when valuating vendors.

1. Some enable online booking. Others require phone calls. Mobile options are becoming more common.

2. Does the vendor manage the unit directly, or does it lease units from the property owners on your behalf? If the latter, how does it manage the unit and handle reporting?

3. What amenities are included or cost extra, such as including:

a. Housekeeping, including frequency.

b. Wi-Fi: How does the vendor handle technical issues?

c. Electricity, gas and cable.

4. Security.

a. How secure are the neighborhoods?

b. How far are public transportation and dining options?

5. Insurance options.

6. Lease terms.

a. Deposit required?

b. Advance notice?

c. Booking fee?

d. Cancellation/amendment terms?

e. If a vendor doesn’t manage the properties, does it have a satisfactory process to inspect them?

7. External program management tools, including consulting and data, to help you manage your corporate housing program.

8. Some aggregators provide hotel-like contracts with flexible contracts that include daily and weekly rates and cancellation policies, ideal for short-term leases.

D. Contract terms.

1. Length: Multiyear contracts are becoming less common. You also can negotiate a year-long contract with an increase cap for the next year. For two-week to six-month stays,

an extended-stay hotel or third-party aggregator might be a better option.

2. Rates: Pricing can vary, but try to negotiate rate caps in each city. Flat rates across cities and regions are rare. As with hotel rooms, city-center and primary-market apartments tend to be more expensive than those on the outskirts or in tertiary cities.
3. Length of stay: Hotels often measure this by overnights, but serviced apartments often charge by the day, meaning one hotel room night equals two serviced-apartment days.

E. RFP: Serviced-apartment suppliers are receiving more RFPs written like hotel RFPs, but they are very different products. Corporate housing varies by geography, so regional, rather than global, RFPs are more practical. Clearly define what you need in terms of services, amenities, quality and location.

IV. MANAGING THE PROGRAM

- A.** Determine who at your company bears responsibility for the serviced-apartment program. Develop a process or form for managing long-term housing needs. Check with your suppliers to see what resources they offer in managing your program.
- B.** Establish key performance indicators and scorecards to evaluate the program, including:
 1. Reservation response time.
 2. Guest satisfaction.
 3. Defect rate.
 4. Service recovery.
 5. Invoice accuracy.
 6. Cost savings/spend.
 7. Client account management and satisfaction.

want to engage a consultant to audit “squatter rates” that your company did not approve.

- e.** If you use multiple GDSs or travel agencies, you should consolidate and synchronize rate loading. Talk with your primary TMC about this option.
- C.** Online reverse auctions: In an online reverse auction, select hotels in a market are invited to bid down prices for a corporate account. The process has proven to be successful in markets with lots of competition and where prevailing local economic conditions favor the buyer. In seller’s markets, many or most hotels will not participate, however. Some buyers have reported the technology saved time in the rate renegotiations but, in terms of information gathering, it can be as time-consuming as any other RFP mechanism.
 1. This strategy requires time to plan and set up. It also requires a new mindset, as the “lowest” rate may not be the hotel chosen.
 2. Bids typically are rate only, and additional work will be required to evaluate whether complimentary amenities would be included in the rate.
 3. This strategy also can fracture long-standing relationships, but can be successful if planned and executed openly.
- D.** Consider using a “letter of agreement” with individual hotels and chainwide hotel companies. This letter should include rate information and address any specific requirements requested by an organization. Letters of agreement are concise, much less time-consuming and less costly than the requests-for-proposals process and generally are better received by hotel properties and companies in the negotiation and contract process. Include a letter of introduction with all your requirements in the RFP. You might also have chains call to introduce you to individual hotels. Generally, this is useful in small programs (fewer than 100 hotels), and you

still must track the process to effectively communicate the program to your travelers. Thus, it can be time-consuming but might reduce technology costs.

III. WHAT TO NEGOTIATE

A. Room rates.

1. For many companies, an effective solution to building a hotel program is to supplement negotiated rates in top-volume destinations with other rate programs that may be appropriate for the multitude of destinations where the organization consumes a relatively small number of room nights.
 - a.** Most hotel companies today offer agency-negotiated pricing that is the same as the best available rate of the day, versus the historical fixed-rate model. Based on market conditions, rates in this model can fluctuate as often as daily.
 - b.** If you have negotiated chain-wide discounts, they also can support you in the cities where you have fewer than 100 room nights to negotiate with a specific hotel.
2. Identify cities among your top 25 destinations with lower occupancies, average daily rates and revenue per available room than the national norms. The need of the local properties to lock in corporate bookings likely will be greater and, therefore, so will your negotiating leverage.
3. New hotels generally offer good value. They are eager to lock in corporate business, precisely because they are an untried entity. Consequently, there is a possibility they will offer below-market introductory rates. In high-demand markets, however, their rates might be higher. Stay apprised of any new hotel openings in your key cities, then request proposed rates from the property-based sales team. Remember that the hotels’ location and amenity

profile still have to be acceptable to your travelers or they will resist the change and that it can take a while for a new hotel to work out the kinks in its operations. Also, be wary of rate increases in the second year. You might have to switch hotels and end up with dissatisfied travelers. To avoid this, attempt to negotiate a cap on any rate increase for that second year.

4. The industry standard among hotels for corporate or negotiated rates is noncommissionable or net rates, which usually are 5 percent to 10 percent lower than commissionable rates and incur lower taxes. When accepting noncommissionable rates, consider:
 - a. If you go with net rates—on which most corporate deals are based, unless TMC or consortia rates are used—you might need to renegotiate your TMC agreement. Clarify this with your TMC in advance to get a clear understanding of whether its pricing structure will change if you implement noncommissionable rates.
 - b. Net rates also can impact an organization's revenue, if the organization is receiving all commissions from the TMC and paying a transaction fee.
 - c. Hotels may offer a discount deeper than the 10 percent commission they save because they avoid commission payment processing and tracking costs.
 - d. If a commissionable consortia rate exists, the net rate should be at least that rate less commissions within a range of negative 1 percent to 1 percent.
 - e. Discuss other options being made possible by direct links between hotel reservation systems and corporate intranets, through the Pegasus Electronic Distribution Switch or Internet home pages. Hotels are directly

connecting to automated booking systems and corporate intranet sites to cut cost, deliver volume and offer marketing opportunities. However, be cautious with these booking methods, as they could dilute your overall hotel data reporting and traveler location tracking capabilities.

5. Confirm that the independent hotels or chains with which you are working make their negotiated rates available through global distribution systems. When your travelers and travel agents can access negotiated rates through global distribution systems, it improves the likelihood your travelers will be able to book such rates through the proper channels such as the online booking tool, increasing traveler compliance, and provides for more accurate data tracking.
- B. Amenities that will be included as part of the corporate rate. Midprice properties often include many as a part of the standard rate, but consider what are the critical amenities for your travelers. These might include:
 1. High-speed Internet access: While most midprice and economy hotels offer free Internet access to all guests, many have moved to a tiered structure in which travelers can access a higher-speed connection at a charge. Upper upscale hotels, meanwhile, traditionally charge for Internet access but increasingly are including it among the benefits in their rewards programs.
 2. Breakfast.
 3. Early check-in and late checkout, or 24-hour check-in.
 4. Restaurants, bars, minibars and room service.
 5. Health clubs/fitness centers.
 6. Business centers.
 7. Garage and/or valet parking.
 8. Loyalty program benefits, such as elite status or double points accrual at individual hotels.
 9. Cancellation without penalty

up to 6 p.m. on the day of arrival, though hotels are moving toward strict 24-hour cancellation policies.

10. No penalty for early checkout.
11. If the best available rate floats lower than the negotiated rate, the BAR rate is used.

C. Hotel distribution strategy: While some business travelers like to use rates available through online travel agencies to find a bargain, many of these rates include significant user rules or restrictions and may not include amenities normally requested by corporate buyers.

1. The most onerous restriction limits travelers' ability to cancel or postpone reservations. Hotel reservations on these sites sometimes are prepaid, so buyers and travelers can get stuck being billed for a hotel room that went unused. Also, unless there is a procedure in place to aggregate data, the organization loses the tracking of the room night, reducing leverage in future negotiations, and loses track of the traveler, raising potential safety and security risks unless data is fed into a risk management provider.
2. Regardless of whether your organization's travel policy restricts the booking of these discount rates, buyers should benchmark the rates available online for midweek travel in order to get a true sense of market pricing. If negotiated rates are consistently undercut by web-only rates, the credibility of a hotel program for corporate travelers can be undermined. Some third-party suppliers in recent years have offered tools that compare your negotiated hotel rates with the lowest unrestricted web rates for side-by-side comparisons. Some of these tools allow you to dynamically check your passenger name records with these Web rates.
3. Bookings made through third-party leisure sites will not

contribute to volume projections made with specific hotels or chains.

4. The lowest rate may not be the most cost-effective rate, as negotiated rates often include airport or local transportation, breakfast, Internet, parking and other amenities.
 5. Bookings made through intermediary sites may not earn the traveler creditable points in a chain's loyalty program.
- D. Strategies and terms to address.**
1. Decide the volume to be directed to the hotels. Agreements often do not spell this out. When guarantees are requested from a hotel, first negotiate to set volume goals rather than guarantees. This is why buyers refer to volume projections rather than commitments of any kind. Avoid volume guarantees unless the discount is significant enough to justify one and the commitment can be met. If a guarantee is agreed upon, ensure a thorough understanding of how room nights will be tracked and reported. The hotel's recourse, if the client fails to perform to its satisfaction, is to reevaluate the negotiated rates, based on actual room night usage, and possibly not renew the arrangement. In some contractual arrangements, if an organization fails to meet its room night goal, a hotel may be able to collect the dollar amount equal to the total room rate for the unused rooms.
 2. If you hold many offsite meetings, leverage meetings volume with transient or project travel, provided your department has influence over selecting those meeting sites and can drive additional volume to a selected hotel as a result.
 3. Historically, hotel agreements last for at least one year, but some buyers employ a multi-year strategy. Buyers should be cautious with this approach to ensure that a two-year rate is

not inflated to account for the unknown rate of increase in year two.

4. Obtain a guarantee that the agreed-upon room rate will remain in effect for 12 months or the length of the contract.
5. If the hotel is willing to include a last-room availability clause, mutually agree on its definition. Few hotels define last-room availability as run-of-the-house, meaning any room available in the hotel, which would include suites and concierge floor rooms. Hotels often charge a premium during a seller's market, as it can displace higher-paying business, but in down cycles buyers should be able to get it at no additional charge. In case a hotel asks for a premium, you should request in the RFP process to receive both rates with and without last-room availability so you can make the proper decision. It is vital you understand how much of the hotel's overall room inventory will be provided in an LRA arrangement. A great rate with highly restricted availability has little value to an organization. It could be smarter to select properties offering higher rates but with greater access to discounted rooms or non-LRA.
6. Consider how reservations will be made for each hotel through a TMC, a corporate travel department or online booking system and the method of payment for the rooms, including corporate card. Requiring travelers to get the rate through the online booking tool improves compliance, assures only approved travelers are accessing the rate and allows for tracking.
 - a. Ask your hotel chain representative how they track bookings made by your organization via their website or central reservations phone number. Many global chains track in multiple ways in addition to the organization's name (email addresses, for

example). Reviewing hotel chain production data helps identify gaps in your own travel data.

- b. A corporate identification number may be needed by each traveler to make reservations.
 - i. More likely, the hotel will have the rate recorded by organization name if the traveler books direct or walks in. If travelers book through the designated TMC, however, the corporate booking code should be included in the global distribution system. It is extremely important to promote hotel bookings via the designated TMC and self-booking tool to ensure hotel spend data is fully captured and commissions, if applicable, are fully collected.
 - ii. Be sure travelers know what the negotiated rate or discount percentage is and that they should request it. Travelers should be careful to identify their organization when making the reservation and at check-in to ensure they get the negotiated room rate and so their stay counts toward fulfilling the volume projection the organization made during negotiations. The negotiated room rate should be included in the corporate online booking tool or global distribution system. Some hotels will not honor the negotiated rate for walk-ins or call-in if the buyer's organization mandates online or agency bookings to help drive policy compliance.
 - iii. Similarly, inform travelers about any negotiated value-added amenities so they can avoid paying for services that should be complimentary. New technology is emerging that reminds travelers via their

smart phones or email not to pay for services included in the negotiated rate.

7. Consult with your risk management department to set standards for the types of safety and security systems your organization expects preferred hotels in the program to have in place. Considering the organization's potential liability should a traveler be injured, it may be advisable to review all appropriate safety and security concerns with your corporate counsel in advance of finalizing any hotel agreements. Duty of care is one of the best reasons to mandate the booking of all hotel rooms through the corporate travel agency. Complete passenger name records are pushed to travel risk management companies so travelers can be tracked for both airline and hotel use.
8. An indication of when preferred rates will be loaded in global distribution systems and when hotels that weren't accepted into the program will be pulled out of the global distribution systems. Understand what steps will be taken if the rates are not loaded by that date or if non-preferred hotel rates are not removed by a given date.
 - a. Responsibility for rate loading usually lies at the local property level if you have negotiated at the property level, and with the national account manager if you have negotiated via the representation of the national account manager.
 - b. Also, indicate when decisions will be made by the organization for the RFP process so your suppliers will have ample time to load rates prior to the beginning of the booking cycle. Allow for additional time or a cushion period to protect against delays in the decision-making process. Evaluate whether you will authorize pre-loading of

rates. This may allow rates to be available on a timely basis for your travelers, but also requires pre-loaded rates from hotels that were not accepted to be removed. Also, consider requiring hotels to honor negotiated rates through a certain date in the following year to provide flexibility when finalizing the next set of contracts.

9. Establish the cancellation policy for each contracted hotel and keep in mind that a local property may choose not to honor a chainwide cancellation policy.
10. Obtain clarification on whether the corporate rate will be extended to include consultants, job applicants and other guests. This can be difficult in times of high occupancy and low supply when allowing these travelers access to the corporate rate can limit availability of rooms for the organization's travelers, while not necessarily helping the organization's bottom line. Corporate travel managers also can allow the hotel companies to charge different rates for their suppliers and other travelers, saving the discounted rates for their organization's travelers.
11. Define project rates and corporate meeting rates or transient meeting rates available for small groups of a defined number.
12. Draft a statement on the mandates included in the hotel policy and how compliance is enforced.
13. Consider policies around special weekend and/or holiday rates that employees can use for their personal leisure travel; guarantees hotels will lower the negotiated rate at or below the special rate and honor all amenities negotiated in that special rate.
14. Ask for a timetable should the hotel anticipate undertaking major renovations or remodeling during the period of the agreement. Such projects can become disruptive or incon-

venient. Include your potential recourse for disruptive or unavailable rooms.

IV. COMMUNICATION & MONITORING THE PROGRAM

Putting together a series of hotel agreements is the first step toward a successful program. The key is to build relationships that will last into the future. Once you notify hotels that you have accepted or declined their offer—and have signed agreements in hand, be they electronic or actual—the next phase of program management begins: communicating your program to travelers, auditing approved rates to make sure they are loaded properly and monitoring traveler compliance.

A. Communicating preferred properties to travelers.

1. The use of an online booking tool, if properly set up, will guide travelers to book preferred properties.
2. Post the preferred hotel directory on the organization's intranet in the middle of the last quarter of the pre-existing program's year so it is available to travelers at the start of the next program year. Be sure the directory indicates available value-added amenities at each hotel. Proximity to company office, when available, should be included.
3. Consider online tools that offer deeply discounted leisure rates at preferred properties, accessible via the online hotel directory. These tools can boost an organization's leverage by increasing the type and amount of spend directed to preferred suppliers.
4. The organization's travel departments or TMCs should direct business to hotel properties, adjusting as necessary, to ensure that contractually promised room night numbers are reached within the contract period.
- B. Early in the agreement period, buyers will want to conduct a rate audit to ensure the correct nego-

tiated rates can be accessed in the global distribution systems.

1. Implementation.

- a. Rate-loading issues have prompted some buyers to audit rates on a quarterly or even monthly basis.
- b. The agent or tool performing the audit should confirm the ability to book every negotiated rate, including seasonal rates, at the preferred hotels in each global distribution system used by the TMC. Sometimes, rates do not appear because they are not available on the selected date, not because they have been loaded inaccurately. As such, audit multiple dates and date patterns within a season to ensure confidence that the rates truly are not loaded correctly. Upon uncovering inaccuracies, it is incumbent upon buyers to follow up with the offending hotels to have errors or omissions corrected. Conduct successive audits to confirm that the situation is rectified. Again, the audit process should be conducted for a variety of dates, as the lack of hotel availability on a particular date will impact the results.
- c. Audits also should look for “rate squatters,” hotels that are not part of your program but load rates into your GDS anyway. Often, hotels preload rates during negotiations, particularly if they stretch into the next calendar year, and they can neglect to remove those rates if they are not selected for your program. This can be a costly and time-consuming project. Consider auditing your top destinations to validate that squatters are not diverting business away from your preferred hotels.
- d. “Rate fencing” also is an increasingly common issue. As hotels become more sophisticated in inventory manage-

ment, they can segregate inventory to close out certain room types on specific nights, leaving your organization's travelers unable to access negotiated rates.

- e. Have travelers alert you if they are unable to access negotiated rates through your preferred booking method.
 - f. Even though properties might pass rate audits, run ongoing checks for future dates to ensure that hotels keep negotiated room availability open. Some third-party suppliers that offer “rate shopping” will be able to do this automatically while looking for lower rates. Local revenue managers on property are working to maximize revenues for their property, and part of that strategy might be to close access to your negotiated rate or apply length-of-stay or arrival restrictions.
- ## 2. Following up.
- a. Give hotel chains or individual properties that fail repeated audits a deadline to resolve the problem or be removed from the program. If the financial impact in a frequently used hotel is high, consider requesting reimbursement for the improperly charged rate.
 - b. Many hotels have viewed the prospect of being removed from a hotel program because of rate-loading inequities as more of a threat than a reality. Buyers easily can reach an impasse as hotels neglect to adjust the rate loaded into the global distribution system and travelers continue to book the inaccurate rates that remain in the system. Even errors uncovered in a January audit can take months to correct. Much of a buyer's leverage depends on the size of the travel program in question and the importance of this particular piece of business to the hotel.

- c. Establish a calendar—quarterly is recommended for larger, more complex programs, while semi-annually is sufficient for smaller programs—that sets appointments with hotel sales representatives to review contractual terms and performance. If time constraints prevent more frequent appointments, meeting with hotel representatives once each year should suffice. During the contract term, if the hotel is benefiting from greater than anticipated room night volume, discuss with the property sales manager or chain national account manager the possibility of renegotiating the rate for the current year or a more attractive rate when the agreement comes up for renegotiation. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate for higher rates.
- D. Solicit feedback on preferred hotels through questionnaires, comment cards or surveys via email, intranet sites or your online booking tool. Explore social networking avenues for soliciting traveler feedback. Share feedback with property management. Also get data from TMCs when complaints have been filed.
- E. Use data to report on goals you set at the beginning of this process, and consider quarterly reviews to ensure you are meeting them. Keep abreast of market conditions in your key markets to prepare for any impact on your program. Review quarterly production data to ensure your travelers are booking at the negotiated rates and staying within your preferred program. Up-to-date production data will keep your finger on the pulse of your program and help you address issues early.

Prepared by Julie Sickel with assistance from Loews Hotels and Resorts vice president of transient sales John Hackett, Carlson Wagonlit Travel hotel solutions group director Eric Jongeling, Partnership Travel Consulting CEO Andrew Menkes and WWstay CEO Rajeev Goswami. ■

Working with Airlines



WITH THE FINAL MAJOR STEP IN THE AMERICAN AIRLINES-US AIRWAYS consolidation completed last year, U.S. travel buyers find themselves with only three legacy carriers left, and airlines globally continue to tighten up with alliances. Consolidation has continued this year, as Alaska Airlines agreed to acquire Virgin America. Even so, plenty of negotiating opportunities remain for corporate air programs, which usually represent the biggest portion of overall travel spending. Airlines continue to want high-yielding, corporate business and are battling to improve reliability and onboard experience in order to win it. Volume, of course, remains king in airline negotiations, but a smaller program that can demonstrate compliance and business on key routes will have an advantage against larger programs with little grasp of data and traveler behavior.

I. BEFORE YOU COMMIT

Most corporate discount deals are measured on market share, but buyers can gain leverage if they have high-yield spend like first or business class or full-fare coach available to shift to new suppliers. Airlines also desire discounted economy or lowest-logical-fare business, providing it's business the carrier would not receive without offering discounts. Considering that suppliers are consolidating, commit only to share you can manage. Many companies overcommit, and then underperformance puts programs at risk. Discount programs are structured based on opportunities. Consider a few hundred thousand dollars as a minimum for the U.S. point of sale, though your agency can provide more exact benchmarks. If your volume does not meet the minimum, look into revenue- or sector-based incentive programs for back-end rebates, club passes, waivers and favors, upgrades and/or frequent-flyer status. Some travel management companies also provide their negotiated discounts to their customers, particularly with international carriers. Determine whether human resources, frequent-flyer loyalty and other costs of implementing preferred airline agreements are worth the benefits.

- A.** Estimate your domestic and international air volume for the next year based on last year's numbers and the company's business plan, such as mergers and acquisitions, new product lines and new locations. Consider air volume for meetings and internal trips like training. Remember that volume ultimately is determined by business dynamics and the economy, not the travel manager.
- B.** Ask frequent travelers which airlines they use and why, assess frequent-flyer memberships, understand which air and ground amenities matter to travelers and determine willingness to support a preferred airline program.

II. GATHER INFORMATION

Proper data can help you win discounts for city pairs, multiple destinations from one city, regionally or across your travel program.

- A.** Obtain information about your travel program from your TMC databases, online booking systems and third-party data consolidators:
 1. Top 20 city pairs by segment and passenger count, including carrier and origin and destination data.
 2. Carrier spend per airline per route for the most recent 12 months.
 3. Tickets and value per class of service, including full-fare economy, discounted economy, business class and first class. Know the trade offs in using booked, ticketed or flown data. While bookings data is available more readily and with less of a lag, it does not have the same precision as ticketed or flown data.
 4. Analyze corporate card data to find trips booked outside your TMC. Airlines do not count those trips toward the volume you agreed in your contract to provide, but the volume does add to your negotiating power, particularly if you're able to articulate actions you're taking to minimize leakage.
- B.** Investigate government and independent information on airlines. Perhaps an airline has low load factors on a route your travelers fly frequently, or perhaps another carrier has launched service on the route, allowing you to negotiate aggressively. Be aware of airline customer service metrics. Some airline or third-party providers offer reports on on-time performance, delayed flights and mishandled baggage. The U.S. Department of Transportation provides such data for domestic airlines through the Bureau of Transportation Statistics at bts.gov. Also investigate each airline's maintenance issues and the average age of its aircraft.
 1. Obtain marketshare information by city pair from the DOT, recognizing that such data is free but dated by at least a few months. Data from other sources, including ARC, travel agencies, consultants and other third parties, can be costly.
 2. Look closely at data for more than one year to ensure you are referencing an established trend. Look

JetBlue

JetBlue is continuously inspiring humanity both in the air and on the ground with a welcoming and comfortable experience, all while offering a great value at a reasonable price. The airline remains a top choice for business travelers.

JetBlue has remained highest in customer satisfaction among low-cost carriers in North America for 12 years in a row, according to the J.D. Power 2016 North America Airline Satisfaction StudySM.^{*} With the JetBlue experience, customers receive:

- Personal TV screens at every seat with free live entertainment by DIRECTV[®] and 100+ channels of SiriusXM[®] radio
- The most legroom in coach^{**}
- Unlimited brand-name snacks and drinks
- Genuine service from friendly crewmembers
- Fly-Fi[®], JetBlue's revolutionary Wi-Fi product, allowing travelers to take their business to the sky
- Even More[®] Space seats, as well as priority boarding and Even More[®] Speed, a convenient expedited lane to go through security in select domestic markets



Mint[®]: A Refreshing Way To Fly

Nearly two years ago, JetBlue minted a new way to fly. Mint[®] is JetBlue's refreshing take on the premium experience. It is top-notch service with stylish lie-flat seats, ideal for business travel road-warriors.

This award-winning service is available from New York (JFK) to San Francisco (SFO) and Los Angeles (LAX); Boston (BOS) to San Francisco (SFO); and as of this fall from Boston (BOS) to Los Angeles (LAX). Beginning in 2017, Mint[®] service will be added in Fort Lauderdale, Las Vegas, San Diego and Seattle with increased customer options from New York, Boston, Los Angeles (LAX) and San Francisco.

Features of the Mint[®] experience include:

- Fully lie-flat beds up to 6' 8," averaging the longest in the U.S. domestic business class market
- The only private suites with closing doors in the American market, four on each flight
- Seats up to 22.3" wide, making them the widest seats on average in the U.S. domestic market
- Shoe storage

- Dual 110 volt power outlets with two USB port at every seat
- 15-inch flat screen with up to 100 channels of DIRECTV[®] programming and 100+ channels of SiriusXM[®] radio

As New York's Hometown Airline[™] and a leading carrier in Boston, Fort Lauderdale-Hollywood, Los Angeles (Long Beach), Orlando, and San Juan, JetBlue remains committed to the needs of business travelers.

**JetBlue received the highest numerical score in the J.D. Power 2016 North America Airline Satisfaction Study, based on 10,348 total responses evaluating 4 low-cost carriers, and measures the experiences and perceptions of passengers who were surveyed between April 2015 and March 2016. Your experiences may vary. Visit jdpower.com*

***Based on the average fleet-wide seat pitch for U.S. airlines*

For more information, visit www.jetblue.com/corporate or email salesteam@jetblue.com



at different quarters of the year to determine the seasonal impact, acquisition or divestiture activity and one-time impacts.

3. Focus on the capacity each airline has in given cities and on certain routes. The difference between one carrier's 60 percent market share on a route and another carrier's 20 percent share is significant to the buyer's opportunity to move share.
4. Useful information can be obtained from several third-party firms and from consultants performing data analyses with optimization modeling. This will take into account both client traffic and airline capacity and determine the optimal airline or airlines to serve your travelers.
- C. Document your plan to shift market share and influence travelers' airline choices. Note past successes.
- D. Determine how and to what degree you can leverage your employees' meetings and incentive travel.
- E. Airlines increasingly charge for à la carte offerings above the base fare. Ancillaries include seat selection, checked bags, early boarding, Wi-Fi, onboard meals and upgrades. Though many of these fees are not negotiable, travel buyers should attempt to capture spending through expense reporting and corporate card data to show airlines the total amount spent.
- F. Compile benchmarks. Data from peers and TMCs lend perspective.

III. GET STARTED

- A. Not all types of business are equally attractive to airlines. Understand your travel patterns and find a compatible supplier.
 1. Recognize airline network strengths: Short haul versus long haul, hub and spoke versus point to point, international reach versus domestic focus.
 2. Recognize product differences. Some airlines are no-frills, low-cost operators, and others provide comprehensive services.
 3. Recognize the total cost. Some carriers offer low fares but charge for seat assignments, carry-on baggage and other ancillaries that exceed the cost of a traditional ticket. However, many airlines also contract services funds to offset

many of those fees.

4. Analysis of your organization's travel patterns may present opportunities for citypair-specific deals rather than systemwide deals, but do not sacrifice overall savings for sizable citypair-specific discounts. For more than one systemwide deal, carefully analyze which airlines will maximize citypair coverage without compromising your share obligation to provide market share to other airlines.
5. Determine whether the carrier participates in an airline alliance. Some airline partners offer joint alliance deals, while others even have developed antitrust-immune joint ventures, through which partners manage capacity, fares and corporate deals as one entity. Determine the magnitude of alliance relationships and how it impacts the carrier's negotiating leverage. Consider whether the airline requires an agreement through the joint venture as opposed to either an alliance or individual carrier agreement.
6. Note your negotiating leverage.
 - a. Purchasing premium class fares on long-haul routes on which multiple carriers compete for passengers works in your favor. Airlines know they don't have to work hard to sell economy fares on a short-haul route on which one carrier has a monopoly.
 - b. A demonstrated ability to shift travelers to an airline makes your company a desirable customer. Failure to deliver on marketshare commitments you made to carriers or inability to demonstrate that your policy can shift travelers causes airlines to question your ability to deliver on commitments. Noncontracted airlines will take note when they are receiving far below their fair share of a market, as it indicates your ability to support preferred carriers.
- B. Communication is key to any business relationship.
 1. Determine the degree of authority the airline delegates to local corporate account executives, regional sales managers and the corporate sales or business development director at headquarters. Such

relationships ensure that changes in regional staff do not eradicate contacts. Headquarters-level relationships may be limited, especially for smaller travel programs. Many airlines conduct quarterly or monthly progress reviews while others will meet only once or twice per year. Generally, more interaction is better, as strong airline reps have a current understanding of market developments and can share best practices regarding contract management and policy.

2. TMC contacts.
 - a. The TMC might have an established relationship with the airline.
 - b. TMCs frequently are the primary source for your organization's spending history and can be partners in negotiations.
3. Peers and consultants can provide benchmarking data. Get involved with local boards, industry groups for buyers and sellers and networking groups to share best practices and industry trends.
- C. Some organizations, especially larger ones, take a formal approach by distributing requests for proposals to headquarters and local sales offices. Include essential information only. Agencies and consultants can help formulate and streamline the process.

IV. NEGOTIATE THE DEAL

- A. Outline the benefits of your business to the airline. Typically, airline agreements are written by and for the airlines, though your legal department may seek modifications.
 1. Even before you issue an RFP, provide data on your organization's traffic patterns and spend to prospective air partners. Highlight areas of interest to the airline, including such high-yield purchases as international business class. Many airlines will require your data to be processed through a third-party data aggregator before they submit a proposal. Allow four to six weeks to facilitate the data release authorization required for this process, as it involves coordination between the airline and any TMCs servicing your organization.
 2. Airlines are reluctant to offer trial

periods for contracts, but absent the appropriate data, you may be able to implement stair-step agreements in which the level of discount increases with the volume delivered. Be warned that such deals are never as good as a formal bid based on historical data. Alternatively, a back-end rebate agreement may be a possibility for newer travel programs with little or no track record.

- B. Be persistent.** Airlines are selective regarding the accounts on which they bid. Offering more volume on international routes can revive rejected requests for domestic discounts. Try to tie the two together for maximum purchasing power. Recognize that airlines place higher value on high-yield purchases such as business class, international service and full-fare economy, and they discount accordingly. Historically, many companies have avoided putting all their eggs in one basket, as market conditions and travel demographics can change. However, as the dynamic between buyer and supplier becomes more strategic and buyers gain stronger voices in the industry through advisory forums, this is no longer necessary. Willingness to offer exclusivity to an alliance should result in a better economic offer.
- C. Show a strong front.**
 - 1. Have your controller or senior financial manager attend negotiating sessions to help crunch numbers and describe the organization's fiscal direction. Summarize your organization's value to the airline.
 - 2. Depending on the organization's culture, include procurement and other departmental representatives at each step of the negotiating cycle.
 - 3. Invite your TMC, if helpful, but inform the airline.
- D. Negotiate the types and levels of domestic discounts.**
 - 1. Most airlines base discounts on the market share or incremental share and/or revenue an organization can provide, on specific routes, on multiple routes from one origination point or on a systemwide basis. Discount structures differ by airline, so understand which fare classes are included in any agreement.

Keep the contract and the number of discounts manageable. Cluster markets with similar discounts or share requirements where possible.

2. Consider:

- a.** Agreements that include carrier spend or segment goals might not be beneficial.
 - b.** Most airlines only offer nominal discounts on lower-bucket fare types. Assess the impact of such practices.
 - c.** Obtain assurances that the carrier will reduce your traffic obligation when it lowers its frequency or aircraft size in a given market. Once the contract is implemented, monitor events that could impact your agreement like strikes, weeks of severe weather at a hub, excessive cancellations or work slowdowns. This will improve the discussion you and the carrier have about performance at the end of the measurement period. If your business is particularly dynamic, you may even ask the airline to consider a share gap target, which will automatically adjust targets as your city pairs change or as the airline changes service levels. These contracts set the target as a market-share gap over seat share.
 - d.** Don't overestimate volume or the ability to deliver it to extract a higher discount percentage. Airlines often respond to an inability to meet these obligations with reduced cooperation, which will impact the value of discounts earned in future negotiations. This will impact your organization's credibility and ability to negotiate favorable rates in future negotiations.
- 3. Other discount options:**
- a.** Most airlines have fixed-percent-age meeting fare discounts for a group of people flying to the same destination, whether they're starting at the same departure point or not. Group and/or zone fares also may be available for groups of travelers. Buyers should assess group and meeting products and the potential benefits of combining transient and meetings spending for negotiating leverage.

b. Some airlines may offer back-end discounts or incentive payments to eliminate the risk of providing an upfront discount with no increase in share. Ensure all back-end rebates and discounts are guaranteed and communicate the benefits of any back-end deals to business travelers.

c. Airlines typically discount the base fare only, meaning all taxes, fees, surcharges and ancillaries are added after the discount.

- 4.** Your discount might depend on your TMC's override agreement, through which it receives compensation to drive volume to a particular airline. The TMC might pass on to you the production-based revenue it earns from the airline on business booked for your account. Be aware that these agreements may not be in line with your preferred airline mix. Though such agreements are confidential to airlines and TMCs, it's possible to learn the targets and the value of your organization's contribution to the override.
 - 5.** Most airline deals are net fare agreements. However, some airlines only provide back-end discount programs in certain international markets.
- E. Agree on the types and levels of international discounts.**
- 1.** Beware the pitfalls of carrier-spend goals. Buyers have no control over currency-conversion fluctuations or fare wars that negatively impact such goals on international routes.
 - 2.** Guaranteed upgrades can be obtained in lieu of a special fare or productivity-based free tickets. Capacity-controlled, one-class upgrades now are prevalent in specific markets. Make certain this does not conflict with your travel policy since upgrades with one airline may set a precedent.
 - 3.** Multinational agreements may include different discounts in different regions but also may provide a bonus for overall multinational performance and other umbrella incentives. Strive for point-of-origin pricing rather than point-of-sale pricing, so discounts are available regardless of the country in which an airfare is booked.

- 4. If you strike a deal with an airline that distributes your traffic to codesharing foreign partners, ensure systems are in place to guarantee the business is credited to the contracted airline.
- F.** Determine how the airline provides access to promotional fares and how they can be used and counted within contracted programs.
- G.** Some airlines may have a preferred payment or lower-cost payment vehicle that could impact airline flexibility.
- H.** Other considerations.
 - 1. Keep traveler productivity in mind, as well. Keeping travelers on connecting flights when nonstop flights are available or putting them on options that arrive the day before or depart the day after meetings come with a very real economic cost. While the ticket cash savings may look attractive, in reality, the hidden costs often can overwhelm the easier-to-measure cost savings.
 - 2. Make sure airlines' proposed discounts align to your historical usage by booking class. Eye-popping discounts on seat classes your travelers never use or can't access at the time of booking have no value.
 - 3. Home carriers do not need to work for business originating from their hubs or countries. Competitors often offer aggressive commercial proposals, provided you can shift travelers from airlines to which they have loyalty attachments.
 - 4. Airlines aren't motivated to discount routes they dominate, so try linking discounts on these monopoly routes to marketshare commitments on routes where they have to compete more for passengers.
 - 5. If your policy and culture allow, explore connecting flights as cost-savers, especially for long-haul trips in which connection time is a small portion of the total journey.
 - I.** Ask to review the airline's contractual terms and conditions at the beginning of negotiations. A legal review can extend beyond the negotiation for the commercial discounts. This does not commit an organization to a formal agreement.
 - J.** Set the contract length.
 - 1. Traditionally, deals negotiated between organizations and airlines

extend for two years, though organizations may want to press for even longer agreements. Most airline agreements include formal periodic reviews and exit clauses, generally at 30 days' notice.

- 2. Some airlines offer so-called ever-green options, wherein the terms, conditions and boilerplate legalese of agreements are retained, allowing buyers and airline sales personnel to focus exclusively on the commercial terms at regular intervals.
- K.** Consider ethics.
 - 1. Airlines often will squelch deals if they've been used to set a target level for negotiations with their competition. Be careful: Word gets around about such double-dealing, and you could be precluded from discounts with carriers in the future.
 - 2. Keep the terms of your deals confidential. Most airline contracts are bound by nondisclosure agreements that prohibit the sharing of any information without the airline's approval, except for ticketing instructions to your agency or airline-appointed data processors.

V. MANAGE THE DEAL

- A.** Inform employees, emphasizing senior management support for the program.
 - 1. Post your travel policy on a corporate intranet page and use both your online booking tool and agency to steer travelers to book preferred airlines.
 - 2. Consider sending a memo that reiterates travel policy and encourages the use of your preferred airline or airlines.
 - 3. Consider holding employee seminars. Include in a presentation:
 - a.** Potential savings from their use of preferred airlines.
 - b.** Descriptions of any special programs to encourage use of the airline, including monetary prizes, upgrades, advance seat assignments, access to airport lounges, extra frequent-flyer mileage as agreed to by the airline or perhaps free trips not tied to a frequent-flyer program.
- B.** Ensure your TMC and its representatives are aware of the deal and

understand their role in implementing it.

- 1. Make sure you and your suppliers understand which party is responsible for fare filing and consider regular audits to verify accuracy.
- 2. Define procedures both for travelers and for agents so they'll book the preferred airlines.
- 3. Agree upon a recourse if a travel agent fails to book the preferred airline or mention its availability. Failure to take the discount on an eligible fare is a common error when processing corporate accounts.
- 4. Specify what the TMC and online booking tool must do when your corporate traveler rejects a flight on the preferred airline. For instance, the traveler's refusal of a contracted airfare might trigger the production of an exception report that is forwarded to the travel office and the traveler's supervisor.
- 5. Consider asking the TMC to publish the savings and losses of accepting the preferred airline booking on travelers' itineraries.
- 6. If your spend is sufficient, airlines will allow your TMC to contact a special desk for major corporate accounts. Through this channel, airlines will consider matching prices on specific itineraries, enabling the organization to save money while fulfilling marketshare commitments, or will provide other such waivers and favors to support the program.
- 7. Ensure your TMC does not have travel counselor booking incentives that conflict with your organization's interests.
- C.** Monitor the deal through management reports from your travel agency and airline, both to assess the effectiveness of the current deal and to prepare for future negotiations. Airlines use sophisticated tracking tools to gauge corporate client performance so they can amend or cancel the contract if goals are not met. In many cases, the airline will provide the buyer with reports. Before an airline review, prepare for any performance or opportunity discussions. The airline will prepare data and objectives.
 - 1. Watch corporate traveler compliance with the agreement and consider deploying incentives to

>> SUPPLIER FOCUS

United Airlines



United understands the complexities of your travel procurement process. It certainly isn't easy balancing numerous suppliers, along with the myriad of details that come with each partnership.

At United, we make the air supply part easy, through "Easy To Do Business With (EZTDBW)" partnerships and solutions. Providing a diverse portfolio of corporate program offerings, we deliver the best fit for the needs of business travelers and a solid return on investment for companies.

To help ensure a smooth, "EZTDBW" relationship throughout the sourcing process, United continues to enhance some of our most popular corporate and agency travel programs and products. Below are a few recent examples that show our commitment to provide air service built around you and your business travelers.

>> Products, programs and partnerships designed to exceed the corporate travel status quo

- Expanding our industry-leading partnership with the world's leading airlines, we formed our third Joint Venture with Air New Zealand, and a new strategic partnership with Air China. United's partnerships allow corporate travelers to be taken wherever they need to be. These extensive relationships also provide corporations with robust and flexible contracting options.
- Our Master Corporate Travel Agreement (MCTA) evergreen contract continues to lead the airline procurement space, saving even more of a company's valuable time in negotiating commercial terms.

>> Elevated Sales support and self-service tools

- A new, dedicated Sales escalation team supports only our valued contracted corporate partners with escalation support, before, during and post travel.
- Refined, relaxed and refreshed 24/7 support from our dedicated United Executive Desk.
- More powerful agency self-service tools, clearer and transparent policies and communication, so corporations and agencies stay updated on changes and advancements that matter the most.
- ...and a revolutionary self-service corporate travel management portal is on it's way!

>> Continued investment in your travelers' experiences, throughout their entire journeys

- 100% Wi-Fi on over 920 mainline and large regional jet aircraft. Over land or sea, your travelers stay connected and productive.
- United Polaris, our transformed BusinessFirst experience (starting December 2016), will be our most significant product transformation in more than a decade, featuring a reimagined, sleep-enhancing, lounge-to-landing experience for intercontinental travelers.
- Free snacks onboard, charming Illy® coffee and new multi course international Economy menus, in addition to fine-tuned Premium cabin meals.
- Innovative operational Travel Contact Messaging, providing travelers real-time notifications across every touch point of their journey about the things that matter most to them, such as seat changes and the status of their baggage.
- Multi-million dollar investments in new terminals and United Club facilities in Chicago, Boston, Houston, London, Los Angeles, New York/Newark, San Francisco and Tokyo.
- The world's most rewarding loyalty program, MileagePlus®, offering more generous mileage accrual initiatives, upgrades, challenge opportunities and status match programs.

We know you have a lot of choices when it comes to sourcing an airline partner, and we are committed to making that decision an easy one—United Airlines. We look forward to working with you and welcoming you onboard the friendly skies.

For more information, contact your United Sales Representative or visit united.com



A STAR ALLIANCE MEMBER 

ensure it. Pass along management reports to department heads to track performance. Internal benchmarking, or measuring compliance among departments or lines of business, can serve as a powerful travel management tool.

2. Keep track of whether your organization is booking flights at a pace that will meet the agreed-upon marketshare commitments. Keep in mind seasonal travel patterns. What might look like a shortfall or excess volume at one point might end up being corrected by year-end. Your travel agency may have tools for managing multiple contract goals at the point of sale.
3. Maintain an open line of communication with your travelers via corporate intranets, email, surveys, social networks and memos to hear their opinions about whether the airline is providing acceptable service. Have copies of all queries and complaints are forwarded to your office.
4. Maintain contacts with multiple levels within airline sales organizations to develop long-term relationships and to ensure the organization and airline share a view of how the agreement is being honored. Establish multiple contract-performance checkpoints throughout the course of a contract.
5. Many large companies use third parties to analyze contract performance and understand how airline yield management affects preferred corporate deals.
6. Compile data from management reports for use in negotiations at least one month before the contract is set to expire. Such data should include:
 - a. Average fare per negotiated route for preferred and nonpreferred airlines.
 - b. The amount of business directed to the airline before and currently.
 - c. If applicable, reasons why the traveler did not use the preferred airline, such as travel agent error, schedule, employee refusal, the organization's lowest-logical-fare policy or unavailability of seats,

perhaps due to a carrier decreasing the service it provides in a particular market.

- D. Consider hiring a third-party audit firm to monitor your TMC's performance in booking your organization's preferred airlines. This may prove particularly helpful for an organization with multiple agencies.
 1. Have the auditor examine available data, including the percentage of time your agency offered the discount fares when such discounts were applicable, how frequently travelers accepted them and why travelers declined to accept them.
 2. Determine whether the airline imposed limits that aren't in the contract on the availability of discounted fares.
- E. Renegotiate the deal, if warranted. In most cases, if an organization has generated even a small increase in market share for the airline, it probably can get at least a one-year renewal. If an organization consistently exceeded targets or met them despite obstacles, it should request a larger discount. Travel buyers should regard the contract as a living document. As travel patterns change, amend goals and discount levels. Keep abreast of mergers and acquisitions that could impact your company's travel patterns.
- F. Monitor the competitive dynamics of key routes. If a new entrant challenges your preferred airline on a monopoly route, try renegotiating a more favorable deal with your current preferred airline. Alternatively, if a carrier exits a route and a remaining airline monopolizes it, make sure your discounts cover the correct booking classes in case the airline decides to yield-manage its inventory to take advantage of its stronger market position.

VI. MISCELLANEOUS

- A. Though airlines largely are unwilling to eliminate baggage fees, they often waive them for frequent-flyers. Major airlines are willing to negotiate a limited number of instant elite status designations or status matches, which can help frequent travelers transition to a new preferred carrier and shield

them from certain ancillaries.

B. Upgrades.

1. Many airlines award upgrades almost exclusively to elite members of their loyalty programs, but increasingly airlines are making seat upgrades available for sale at the time of check-in.
2. Make sure travelers know if you have a deal providing upgrades on a space-available basis.

C. Airport lounge admissions.

1. Some airlines offer complimentary airport lounge memberships in lieu of discounts or with certain types of tickets, usually in premium classes.
2. Some provide a limited number of airport lounge admissions on request.
3. Airlines increasingly offer reciprocal airport lounge access for customers of airline partners or those within an airline alliance.

- D. Often, corporate deals offer executives special services. The number of executives that may be enrolled generally is based on the organization's spend. Airlines also may provide separate airport check-in for some accounts.

- E. Some airlines sell bulk-purchase tickets or flight passes, which require an upfront payment but can provide savings when contracted upfront discounts are difficult to secure.

These programs can offer great value if an organization can manage the internal aspect. Typically, one cost center makes the deposit and other cost centers burn off the credit.

- F. Some airlines will consider prepayment at fixed rates in certain city pairs and payment on a cost-per-mile basis, perhaps with a pay-at-use concept.

- G. Investigate an airline's international safety and security procedures and airport facilities.

- H. Ensure the airline will relieve you of all airline contract commitments during labor-related work stoppages or slowdowns.

Prepared by Michael B. Baker with assistance from Jake Cefolia, United Airlines vice president of sales in the Americas, and Informatica global travel manager Rick Wakida. ■

Working with Car Rental Firms



CAR RENTAL COMPANIES HAVE STRUGGLED TO RAISE RATES IN RECENT months, but that does not diminish the importance of a well-managed corporate car rental program. Although car rental usually represents a small percentage of overall travel spending at a company, small savings per rental gained by careful management can multiply into significant benefits across thousands or tens of thousands of car rental transactions. Car rental firms also increasingly realize that revenue growth can come more from ancillary services rather than rates, so companies that do not negotiate or set policy around these stand to take a significant financial hit.

I. GATHERING DATA

Show potential suppliers as much detailed information as you can gather on past car rental usage by your travelers.

- A.** Usage statistics from car rental firms should provide the most complete and detailed information. Also tap travel management companies and expense management systems. Most corporate charge card data only shows the complete sum of the spending parts and does not yet detail such expenses as insurance costs, fuel surcharges and other miscellaneous state and local taxes and fees.
- B.** Types of data: Gather as much information as possible on overall usage and provide breakdowns for cities or areas with high volume.
 1. Total volume, expressed in the number of rental transactions, number of rental days and expenditure level.
 2. Average number of miles driven per day and percentage of rentals and rental days that a car drives beyond various thresholds, such as 75, 100 and 150 miles.
 3. Breakdown by class of cars booked and driven, such as compact, intermediate or full-size and two-door or four-door.
 4. Number of intercity and one-way car rentals, including origins and destinations.

Include miles driven and what miles were charged.

5. Number of weekly, monthly, weekend and one-day rentals by day of the week.
6. Breakdown of rentals by day of the week, weekly rentals, and monthly rentals.
7. Locations where all corporate car rentals have taken place and number of annual rental days in all markets.
8. Evidence of travelers' safe driving records while on company business, particularly if you plan to seek collision damage waiver or loss damage waiver coverage and supplemental liability coverage.
9. All information available on international car rental usage, highlighting usage by city and country.
10. Percentage of car rentals booked through global distribution systems, TMCs and online booking tools.
11. Compliance with existing preferred car rental deals. Show you can control your travelers.
12. Rentals by those under 25 years old.
13. Special billing needs, including regional billings, those coded certain ways for tax purposes and the need to track unlimited mileage, plus the percentage of the total that is master billed.
14. Service requirements, such as on-site availability at your company's location or locations, VIP treatment and off-airport special needs, including off-airport parking, GPS and electronic toll-pass devices.
15. Data that shows your company is growing is important to note, as is demonstrating a strong and enforced travel policy.
16. Suburban locations where the organization has rented vehicles, including number of rentals, rental days and expenditures.
17. Number of rentals and spending

for GPS, satellite radio, etc.

18. Refueling history, full-tank option and per-gallon charge.

II. SETTING STRATEGY

Organizational culture, travel policy and rental patterns are major factors in determining which car rental suppliers to consider and which contractual elements to emphasize during negotiations. Survey some of your most frequent travelers about their car rental experiences. Various types of corporate car rental relationships to consider:

- A. An exclusive nationwide, North American or global contract with a single car rental supplier, though this limits your flexibility in cases when that supplier does not have available inventory.
- B. Agreements with one primary supplier and one secondary supplier and or an off-airport supplier in case the primary supplier is sold out, cannot provide convenient service or lacks locations in key areas.
- C. A global agreement with one supplier, supplemented by agreements with country-specific suppliers, often providing lower rates in high-volume areas outside the United States. Determine whether costs will be lower if you give all your volume to a national supplier or deal with local operators. Small organizations without large national volumes might get the best overall deals by working with their TMCs or a consultant.
- D. One or more agreements for international service. Typically car rental suppliers look for \$50,000 in spend per country before offering lower negotiated rates. Organizations with less spend likely would be offered either a percentage-off discount or a standard set of business rates.
 1. This can be part of a worldwide agreement with your domestic supplier, a separate agreement with your domestic supplier or a deal with a supplier you do not use domestically.
 2. Organizations seeking global contracts often already have

consolidated with one TMC internationally.

- E. Look into alternative programs like car- and fleet-sharing for short-term rentals if you are in a participating market. Car-sharing programs or technology that enables the pickup and return of vehicles from unstaffed locations can benefit intracity travel, and suppliers increasingly are offering such programs in major markets and may even consider placing vehicles at your corporate locations.
- F. Consider different business needs a rental car provider can fulfill, including fleet management and commercial truck or equipment rental.
- G. Review your company's policy on the use of personal vehicles for company business. This can be a significant hidden expense and can pose a liability risk. Consider a threshold of 100 miles or more, at which point renting may be more cost effective than the U.S. Internal Revenue Service-specified reimbursement amount. Some vendors offer a calculator to help you compare.
- H. Collect data on use of ridesharing platforms like Uber and Lyft, including how often your travelers use these services and how much they're spending. This could help craft corporate policy on what is being used and whether any of it should go to rental cars instead.

III. PREPARING RFPS

Based on the data you have gathered and the strategy you have established, create a request for proposal that provides information about your program and details your requirements. Generally, RFP criteria can be summarized into five areas: rental eligibility, vehicle classes, insurance coverage, supplier programs and rates and fees. Not all RFPs contain the same elements, but here are some to consider:

- A. Historical mileage levels.
 1. How will base rates differ under agreements in which mileage is unlimited versus those with a per-mile fee above

a mileage cap?

2. How will planned corporate initiatives, such as acquisitions and cost-savings initiatives, impact travel spend?
- B. A description of all the supplier's insurance and related products, including base rates, if included.
 1. Collision damage waiver or loss damage waiver: A daily fee relieving car renters from responsibility for accident damages and/or stolen vehicles and loss of use of the vehicle.
 2. Personal accident insurance covering injuries to the renter.
 3. Personal effects insurance covering loss of the renter's personal property in a lost or stolen rental car.
 4. Supplemental liability: An umbrella policy that covers organizations beyond the state's minimum requirements and covers accident damage to other people and property.
 5. Many large companies can be self-insured or use insurance provided by their corporate charge card programs. If you have your own insurance, check with your organization's risk management department to be sure it covers all car classes and rentals overseas. Even those organizations that have their own coverage include the supplier coverage, which is more efficient and less likely to let a claim fall through the cracks.
- C. Emergency road service: Is it provided through a national 24-hour service or outsourced to local operators? What charges, if any, are associated with road-side services?
- D. Obtain examples from suppliers of standard and customized management reports provided to other corporate clients. Know what spending and usage information your organization requires.
 1. To what degree can you drill down into transactions by name, location and date?
 2. In what formats are management reports provided?
 3. When are reports provided: monthly, quarterly or in

- another interval?
4. Is there a cost to obtain customized reports?
 5. Can you get a consolidated report that includes data from all geographic areas?
 6. How can the supplier help your organization identify variances from policy?
- E.** References from customers with similar volume and location to yours, as well as from accounts no longer using the company as its preferred supplier.
- F.** Request a list of participating locations. Not all car rental locations participate in corporate rate or insurance programs.
- G.** A list of the supplier's outlets near your major locations and destinations. Consider off-airport locations with lower prices and fewer surcharges. Also obtain a list of franchised versus corporate-owned locations and outlets that do not participate in corporate negotiated rates, rebates and/or coverage.
- H.** A list of locations that the supplier indicates are on- and off-airport, including the types of express services offered at each location. Also get a list of airport locations by mode of conveyance from terminal to rental counter and then to vehicle. This will have an impact on speed and service.
- I.** A list of all surcharges for high-cost cities and one-day midweek rentals.
- J.** A list of supplemental charges by location, including taxes, other local surcharges, off-airport access fees or on-airport concession fees. Buyers should get a breakdown of all charges and pass-through fees that are government-imposed or charged by the supplier.
- K.** Request fixed refueling rates or pricing that demonstrates the national average plus a service fee based on current gas prices.
- L.** Many car rental suppliers offer special rental services, enhanced programs and clubs for VIP travelers and frequent renters. Ask suppliers to describe any such programs. Factors to consider:
1. The maximum number of VIPs an organization can enroll.
 2. The benefits such programs offer.
 3. Extra fees for loyalty miles earned on rentals.
 4. Whether there is a cost to the buyer for such programs.
 5. Whether the supplier has affiliations or partnerships with airlines, hotels or other corporate travel suppliers for frequent-flyer or other loyalty programs.
 6. Can travelers enroll online?
 7. Can the supplier offer status matching for existing employees if the company were to switch?
- M.** A description of safety-enhancement programs and vehicle-safety systems.
- N.** Information on the average age of the fleet and time after which cars are returned to manufacturers or resold.
- O.** Details on local fleet size where you have a special need so you can assess availability.
- P.** Information on the financial health of the supplier and its ability to provide the fleet and services you require.
- Q.** If availability has been a recurring problem, ask the car rental company for a "guaranteed availability" clause that will ensure employees will get a car, regardless of day, time and location.
- R.** Investigate the supplier's technology for direct reservations and booking.
- S.** Special programs, such as on-site fleets, one-way car rental rates from the airport and one-way flat rates between certain cities.
- T.** Does the provider offer GPS, satellite radio, Wi-Fi and electronic toll payment devices? Such amenities can be worked into a negotiated rate.
- U.** Ask about the availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Hybrid vehicles can be significantly more costly.
- V.** Consider whether the car rental company has an alliance with a chauffeured transportation company. If so, what benefits can be derived from that partnership, and what are the requirements to

receive them?

- W.** Understand the procedures and technologies the car rental company offers to expedite the pickup and return of vehicles. Are these available at all locations?
- X.** Consider service-level agreements.
- Y.** Ask the supplier to agree to periodic rate audits.

IV. NEGOTIATING

The most popular concessions are reduced daily rates, unlimited mileage, premium club memberships, city surcharges, weekly/monthly multipliers and insurance. To a lesser degree, corporate buyers can negotiate for upgrades, waivers of charges for drop-offs and one-way rentals, and delivery of vehicles to headquarters or other locations. Understand your actual car rental usage so you can comprehend the value of the agreement terms offered.

Type of car rented, day of week, length of rental, rental city and whether the car was taken one-way or round-trip can affect price. Items open for discussion:

- A.** All corporate agreements have a fixed rate per day for each car class.
1. Negotiate with the car rental company to obtain the best rates published. While some suppliers automatically honor the best available rate, others don't. Ensure this circumstance is addressed in the corporate agreement. If a lower noncorporate rate is taken, will the supplier include your corporate coverage and other benefits?
 2. Ensure your TMC will search for best-available car rental rates.
- B.** Most companies opt for flat rates with unlimited mileage. Of those corporate contracts with a mileage cap, 100 miles is the standard. Per-mile charges starting at about 25 cents are assessed on top. Do not have your travelers pay the higher unlimited mileage rate if they drive an average of 50 miles or less per day.
1. Averages are deceiving because rental cars driven only a few miles distort the averages.

- Identify the percentage of car rentals and rental days exceeding 100 miles, with geographical breakdowns.
2. Consider "time and mileage" agreements, which involve low daily rates but per-mile charges starting from the first mile.
 - C. Special rates in cities where you have high volume and/or special rates for weekly, monthly, multi-monthly, partial-day, hourly and one-way rentals.
 - D. On which days of the week do one-day rental surcharges apply, in which seasons and in which locations? Mitigating high midweek surcharges could lead to savings.
 - E. Negotiate to lower premium location charges, assessed on top of the daily contract rates in key travel destinations where costs are high.
 - F. The length of the term of the contract and specified limits on annual rate increases.
 - G. The extent to which suppliers will add international car rental volume to domestic volume for the purposes of establishing worldwide rates. The success that is possible from leveraging the organization's international car rental mix will depend on suppliers, volume, the international proportion of the volume and the international locations travelers frequent.
 - H. Discuss blocking the add-on features offered at the time of pick-up, including additional insurance coverage and GPS. Negotiate with the supplier to block unneeded add-on features.
 - I. Can the supplier provide reporting in real time?
 - J. Free or reduced-rate collision damage waiver or loss damage waiver coverage, if corporate travelers are not covered by other insurance.
 1. At least a minimum amount of coverage is required. The standard amount for years has been \$100,000 coverage per person, up to a total of \$300,000 per incident, in addition to \$25,000 for personal property.
 2. Several car rental suppliers have lowered coverage to minimum levels allowed under state statutes.
 - K. Rate concessions based on your organization's commitment to building volume: Consider tightening your corporate travel policy to mandate use of preferred suppliers or to cover international travelers, making changes to your corporate booking tool to steer travelers to preferred suppliers, linking the car rental company to your corporate intranet or broadening your program to include fleet replacement or other services.
 - L. Discounts for safe-driving programs.
 - M. Rebates and/or incentives for meeting or exceeding contract goals.
 - N. A mileage radius within which travelers can pick up a car at one location and drop it off at another location at no additional cost or one-way rentals without surcharges.
 - O. Special shuttle rates if many travelers drive between two specific cities.
 - P. A grace period after the stated end of the rental period during which a car may be returned at no additional cost.
 - Q. Free upgrades to higher car classes when available, and free delivery of rental car and/or drop-off.
 - R. Provisions for employees under age 25, who normally are charged higher rental rates.
 - S. Procedures for central billing by nonemployees, including job candidates and consultants.
 - T. Whether the supplier provides the option to refuel at market prices, plus a reasonable markup. If not, discuss reduced refueling charges, specifically negotiating a reduced price per gallon or liter. Having travelers fill the tank before returning their cars is the least costly option, but if your internal data shows travelers regularly are paying the higher price for not doing so, negotiate a reduced price per gallon for gas into your base rate. Corporate travelers running late for a flight often do not have time to fuel up before returning their vehicle. It is best to address this upfront.
 - U. Reduce or eliminate blackout dates, depending on your spend and ability to shift volume. Otherwise, get a list of blacked-out or sold-out dates and cities for the upcoming year. This will help calibrate service expectations and allow travel managers to notify travelers in advance. Additionally, get a list of locations and dates for which vehicles will be available but your corporate rates will be blacked out.
 - V. If your travelers rent GPS or toll passes, request a daily discount and/or maximum charge per rental.
 - W. Evaluating a bid.
 1. Assess the components that are most important to your organization and use a grid that gives more weight to those responses. Review *BTN's* most recent Car Rental Survey & Report at www.businesstravelnews.com/Research/Car-Rental-Survey-Report.
 - a. The most common factors to consider include service quality, domestic geographic coverage, airport location and the speed of rental and return processes.
 - b. Also consider international coverage and report capabilities. Delivery and collection of vehicles is common in Europe and therefore supplier locations are key.
 2. Research the supplier's financial stability so you can determine its ability to deliver on the terms you have negotiated. Consider what effects mergers and acquisitions in the industry have had and will have. Assess the supplier's ability to provide continuing levels of service, reporting capabilities, rental car availability and other aspects of the contract. Follow what's going on in the industry to identify bad service and fleet issues.

Prepared by Michael B. Baker with assistance from Abrams Consulting Group president Neil Abrams and DK Consulting CEO Dave Kilduff. ■

Working with Chauffeured Car Providers



THE RISE OF RIDESHARING PLATFORMS LIKE UBER AND LYFT IS CAUSING travel buyers to look harder at their chauffeured transportation programs and policies, a segment that was often overlooked in the past. Ridesharing suppliers have brought new technology and on-demand options to the market, but security, efficiency and strong data remain travel buyers' foundational concerns, regardless of supplier type. Though chauffeured car spending is miniscule compared with air and hotel, it's also often the territory of company VIPs, who are most demanding that things go smoothly. So buyers overlook this segment of their programs at their own peril.

I. GATHERING DATA

A. Usage statistics.

1. Most car service companies can and should provide data. This is the most accurate data, as it is actual and should show a breakdown of the charges for the prior year.
2. Corporate card data provides car services charges via merchant category codes, though some card suppliers lump car services with rentals and taxis.
3. Corporate accounting may provide the percentage of T&E spent on each taxis, parking reimbursement and chauffeured services.
4. Expense systems can specify a chauffeur category. Some let you mandate supplier names.
5. Booking technology companies can provide competitive bidding data either through an RFI or RFP.
6. Travel agencies can estimate by counting the air segments that are booked without rental cars. This number also includes travelers using personal cars, taxis, shuttles and public transit and thus can be inaccurate.
7. Data from meetings and events allows you to combine transient and meeting spend for greater negotiating leverage.

B. Gather information on overall use, including frequent routes.

1. A typical trip contains four segments: to and from the airport at each end.
2. Include frequent high-usage destinations and your organization's offices and international locations.
3. Include the reporting you need, cost center or case number data and whether to use direct billing versus credit card billing.
4. Average trip length.
5. Vehicle volume and transaction, broken down by pickup and drop-off points and use by individuals and groups.
6. Point out special events requiring chauffeured volume and transaction use.

7. Service requirements like Wi-Fi, newspapers, refreshments, vehicle types and car color.
8. Historical reservation method by percentage: phone, supplier direct, online booking tools and bridge technology.

II. SETTING STRATEGY

Analyze usage patterns of sedan and limousine services and consider your arrangement.

- A. Exclusive nationwide or global agreement with one supplier, using corporate-owned locations, licensees and affiliates. This leaves you with no backup options and thus could mean overpayment in some markets.
- B. One nationwide agreement with a primary supplier, supplemented by agreements with local suppliers.
- C. Agreements with two or more suppliers at a particular location, creating competition.
- D. Agreement with a service technology provider.
- E. Outsourcing to a consultant to manage suppliers, accounting and reporting.

III. PREPARING AN RFP

Determine the level of chauffeured transportation your business requires, as suppliers in the segment span from low-cost providers to premium operators. Keep the RFP simple to make analysis more efficient, and note that suppliers may not respond to RFPs focused too heavily on rate alone. RFP samples can be obtained through travel management companies, consultants and industry associations. Allocate a proper amount of time for suppliers to provide a meaningful response. Note response deadlines clearly. Consider including:

- A. Your company's key locations, domestic versus international-use ratio, total spend on chauffeured services, transient versus meetings spend ratio, event needs, spend by pickup and drop-off locations and by vehicle type, level of insurance coverage and typical number of travelers per car.
- B. How long the supplier has operated, number of locations and number of affiliates, licensees or franchisees.

1. How does the supplier select affiliates and enforce quality standards?
 2. Are standards for licensing, training, security and drug testing consistent across affiliated or licensed locations?
 3. What is the supplier's resolution process for problems? What about its affiliates? What is the average response time for resolutions and billing issues?
 4. Will the supplier share direct contact information for affiliates, franchisees and licensees with clients?
 5. What percentage of your trips will be serviced by affiliates, franchisees and company-owned suppliers?
- C. Fleet information.**
1. What are the size of the active fleet and the breakdown of makes and models by average years and average mileage?
 2. How many vehicles does the supplier own, and how many do partners, contractors and affiliates own?
 3. When does the supplier retire vehicles, and is this consistent across affiliates, licensees and company-owned locations? Request a current fleet report.
 4. Describe the company's maintenance program, including frequency of inspections, washings and maintenance and whether an audit of inspection reports is permitted.
 5. Are vehicles equipped with GPS, emergency road service systems and in-car video?
 6. Are vehicles equipped with hands-free communication?
 7. Are hybrid, electric or alternative-fuel vehicles available? In what cities, makes and models?
 8. Are multiple types of vehicles available, such as economy class, business class, business van or SUV and luxury?
- D. Driver information.**
1. The supplier's hiring process. Are background and security checks and drug and alcohol tests performed? How often are those tests performed? If a global bid, how do these background checks vary in other regions? Do they include fingerprinting? How does the supplier screen employees?
 2. What are the driver training and safety requirements? Does the supplier give chauffeurs a written test or road test? Do chauffeurs participate in a certification program? Is the program administered by a third party? What other training do chauffeurs receive?
 3. Does the company review licensing reports to assess violations by their chauffeurs?
 4. Are chauffeurs licensed under a local jurisdiction?
 5. Are chauffeurs employees or independent contractors? Are independent contractors allowed to sublease their cars to others?
 6. Are chauffeurs allowed to work double shifts? What is the maximum time a driver works?
 7. Are chauffeurs required to be fluent in English or the language of the country where service is offered? Are some fluent in other languages?
 8. In how many reportable accidents were chauffeurs involved last year?
 9. What is the average tenure of chauffeurs and the turnover rate?
 10. Are armed driver services offered?
- E. Insurance requirements.**
1. What types and levels of insurance does the company have?
 2. What is the name and address of the principal insurance carrier? Ask for a copy of the certificate of insurance.
 3. Work with your organization's risk department to determine level of coverage needed.
 4. Request copies of the company's insurance certification for automobiles, including owned, non-owned and hired vehicles; commercial/general liability; statutory worker's compensation; and umbrella liability.
 5. What is the minimum insurance requirement for chauffeurs? Are they required to purchase it, and, if so, from the company's insurance firm?
 6. Does the insurance apply to every trip in every city serviced for every chauffeur?
- F. Reservations.**
1. What passenger data does the supplier request and maintain?
 2. Are reservations taken by phone, email, global distribution system, mobile app and/or online?
 3. Can reservations be processed 24 hours a day, seven days a week through all channels?
 4. What percentage of reservations are booked online?
- G. Rates.**
1. Does the company charge a flat rate, distance-based rate and/or hourly rate? Do pricing models vary by location? Do charges begin when the passenger is picked up or when they driver leaves the lot?
 2. If it charges a flat airport rate, is the amount the same for departures and arrivals? What is the difference? Does the hourly rate have an hourly minimum and/or maximum? What type of rate kicks in after the limit? How long do drivers hold for train station arrivals and other types of pickups?
 3. Does the company charge other airport fees? What are the wait fees?
 4. Does it provide airport terminal meet-and-greet services, and is there a charge? How long do chauffeured cars hold for domestic and international arrivals?
 5. Understand the full range of surcharges levied by suppliers.
- H. What specific capabilities and advantages does your Web-based booking system provide over booking through a third party?**
- I. What is the average call length?**
- J. What is the average tenure of reservation staff? What types of training and quality monitoring are in effect?**
- K. Does the supplier handle dispatches by voice or computer?**
- L. Are its computer systems integrated? Ask for information on the system for reservations and dispatch.**
- M. How are rides confirmed?**
- N. Does the supplier monitor travelers' flight delays, cancellations and changes?**
- O. Does the supplier store sensitive data like credit card information, where is it stored and is there backup in case of a catastrophic event?**
- P. Does the supplier's entire network comply with the Payment Card Industry Data Security Standard, and is that certification up to date?**
- Q. What is the cancellation process and minimum lead time to avoid charges?**
- R. What is the minimum lead time to book a new reservation?**
- S. What languages does the reservation staff speak?**
- T. Are bookings guaranteed?**

Which surcharges are negotiable, which can be waived and how are they assessed? Your RFP should not allow any other surcharges to be charged than listed in the RFP. Also include a 60-day cancellation clause that gives you an early out or termination in case you want to source another, more cost-effective supplier.

6. Are there any reservation-processing fees?
 7. Are there extra mileage charges, high tax rates or additional charges at overseas locations?
 8. Does the company levy ASAP request fees?
 9. For how long are rates guaranteed? Many companies stipulate that rates must be guaranteed for 120 days.
 10. Is there a rebate? If so, what is it?
 11. Are upgrades or discount coupons negotiable?
 12. How is gratuity handled?
 13. Request that quotes be broken out with a base rate, taxes, tolls, fuel charges, administration fees and gratuities, as well as other pricing components.
 14. Are taxes included in rates, or are they additional?
 15. Are final rates provided upfront, at the time of booking?
 16. Request rate sheets for your five to 20 most common routes or cities.
- H. Billing.**
1. Can the company bill electronically?
 2. With what software and in what formats is spending data transmitted?
 3. What reports can be provided? If so, in what format? How can the data be sorted?
 4. What is the standard time frame for billing and payment? Is it consistent for service performed in affiliate markets?
 5. For overseas reservations, is billing available in U.S. dollars?
 6. Does the company provide central billing account features? Are credit cards acceptable forms of payment? If so, which details are broken out on card statements?
- I. Other services.**
1. Does the company offer a VIP program? If so, describe it.
 2. Is there a loyalty program, and is it aligned with hotel and airline

loyalty programs.

3. Does it provide meetings services? If so, does it assign onsite dispatchers? Is there a charge? Are any other special services available, such as employee pooling and special multi-city business trip support?
 4. How does the supplier handle passengers who are more than an hour late or don't show up at all? What charges are imposed? How would the supplier communicate the situation to the passenger and the corporate travel office? How long will the driver wait if the passenger, reservationist or travel office cannot be reached?
 5. Does the chauffeured transportation company have an alliance with a car rental company?
 6. What are the supplier's environmental and social responsibility initiatives?
- J. Customer service.**
1. How is quality managed? Is there a formal customer service program or a dedicated program for corporate customers? When is it available?
 2. How does the company provide indemnification? Ask for a complete description of what is covered and how any dispute will be resolved. What is the time frame for resolution of complaints?
 3. Is a manager assigned to the account?
 4. What mechanisms does the supplier use to measure customer satisfaction? Can it provide weekly records for all rides?
 5. Ask the supplier to sign a service-level agreement with clearly defined and measurable key performance indicators.
 6. How can passengers provide feedback on drivers and vehicles for each ride?
- K. Protections.**
1. How does the supplier define its duty of care?
 - a. How does the supplier protect the data privacy of its clients? Does it describe what constitutes a breach of privacy and how it will remedy it?
 - b. What information-security provisions and standards does the company follow?
 2. How does the company protect clients from a change of ownership?

3. Can the supplier integrate into your preferred booking channel?
- L.** Request references from customers with comparable volume and needs.
- M.** Describe any new technological, fleet, service or operations enhancements the firm is planning.
- N.** In-car amenities: Chauffeured transportation providers in recent years have added such offerings as Wi-Fi, satellite television and radio and even bulletproof exteriors.
1. What amenities are offered to passengers? Do such offerings come standard?
 2. What charges are associated with such offerings?
- O.** Consider an onsite visit, ideally at a location where your volume is highest during peak hours, to check the availability of cars, level of maintenance, types of technology used and professionalism of dispatchers and drivers.
- P.** Consider setting up a pilot arrangement with the supplier for a limited period of time to test service and performance, including the billing mechanism and problem-resolution process.

IV. EVALUATION & IMPLEMENTATION

Mind your organization's service needs and budgetary limits. Weigh the true value of a supplier: Some suppliers will negotiate discounts, while others prefer to add services, such as an onsite representative or an account manager. Be sure the supplier will assist you in implementing the program and that the sales team provides support.

- A.** Request a detailed implementation plan that identifies the major tasks, dependencies and time frames required to implement the services. How long would it take?
- B.** Ask that any additional implementation costs be fully disclosed.
- C.** Some providers have an implementation team. Determine who is responsible for the tasks at hand.
- D.** How does the supplier promote traveler compliance with your program?

Prepared by Michael B. Baker with assistance from DK Consulting CEO Dave Kilduff and Blacklane co-founder and CEO Jens Wohltorf. ■

Selecting a Corporate Payment System



INNOVATION IN PAYMENT PRODUCTS IS ON THE UPSWING. LARGELY DRIVEN

by security concerns, chip technology, biometrics and virtual cards have entered the corporate travel space. Mobile wallets are enabled for corporate use, but widespread adoption has yet to take hold. Merchants have become more accustomed to accepting these products, but market penetration seems a long way off. A corporate card program, at this point, remains the fundamental payment mechanism for any well-managed travel program, centralizing payment, providing visibility into spending and enhancing the intelligence with which travel buyers can approach supplier negotiations. A good card program also improves the expense reporting process when card data feeds directly into an automated system. Configuration of card programs and card products can vary widely, and many companies use BTAs and lodge cards for larger transactions.

I. ESTABLISH OBJECTIVES

Understand the objectives of senior executives, particularly in human resources, finance and accounting, but ensure the travel manager is engaged. Some attainable goals:

- A. Improve financial and administrative processes and maximize travel cost savings through data integration and negotiations.**
 - 1. Secure rebates on spending volumes and control/reduce bad debt by cardholders.
 - 2. Leverage consolidated card spend for air, hotel, car and meetings.
 - 3. Reengineer travel expense reimbursement procedures and efficiencies.
 - 4. Improve cash management, extend float and reduce or eliminate cash advances.
 - 5. Bring uniformity and speed to paying and accounting for travel, fleet and goods/services.
 - 6. Streamline accounting and reconciliation methods.
 - 7. Enhance the management of currency exchange.
 - 8. Evaluate and facilitate value-added and goods-and-services tax refund filings.
- B. Improve policy compliance and noncompliance monitoring.**
 - 1. Reduce expense report fraud.
 - 2. Track preferred supplier usage and identify program leakage.
 - 3. Implement/improve data reporting tools.
 - 4. Control spend by placing blocks on non-business merchant category codes.
- C. Increase traveler productivity and support.**
 - 1. Automate card data feeds into expense reports to reduce time required for completing reports, while also reducing manual errors and employee fraud.
 - 2. Reduce travelers' out-of-pocket expenses by providing an easy, safe and widely accepted form of payment for en route services, as well as access to cash via ATMs.
 - 3. Allow travelers to separate business expenses from personal expenses, which will free personal lines of credit and improve data quality.

- 4. Provide standardized business controls.
- 5. Provide data and enable digital receipt capture via mobile devices.
- 6. Reduce hassles with dealing with currency exchange while traveling.
- D. Enhance management data and controls, and comply with global tax and Sarbanes-Oxley regulations.** Commercial card programs electronically provide actual expense data made available in a central database for compliance monitoring, supplier management, budget review and tax reporting. Electronic data transfer eliminates duplicate entry, provides greater fraud and risk management controls, and facilitates use of automated audit tools.
 - 1. Run reports by merchant category code to identify use of preferred and nonpreferred suppliers.
 - 2. Use reports to increase expense management efficiency and identify new negotiation opportunities.
 - 3. Import commercial card data into electronic contract management tools that monitor usage of negotiated rates and volume discounts.
 - 4. Commercial card data can be combined with booked data from TMCs, suppliers and other sources, to provide a more comprehensive view of expenses and trips to identify leakage. Data can be used to optimize travel policies and streamline reconciliation.

II. PROGRAM EVALUATION

- A. Assign a project manager to establish a cross-functional team comprised of travel, payroll, finance, accounts payable, HR, legal, procurement, internal audit, IT, security, treasury and tax department representation. Identify a senior management sponsor in finance.**
- B. Determine payment program requirements.**
 - 1. Number and location of travelers who will use the card, including frequent and international travelers and senior executives.
 - 2. Spending by category: air, rail, ferry, hotel, rental car, limousine, meals, etc.
 - 3. Geography.
 - a. Estimate charge volume and cards in force for each country/region.
 - b. Consider whether more than one issuer is required to issue local currency cards in countries with

MasterCard

At MasterCard, every day and everywhere, we use our technology and expertise to make payments safe, simple and smart. We take an innovative, value-driven approach to the solutions we create and services we offer, making transactions faster, easier, and more convenient and secure.

And all our products and services are built on a foundation of unsurpassed merchant acceptance at over 40 million merchant locations worldwide, ensuring that you can rely on MasterCard wherever your travels may take you.

Global Reach

MasterCard is the only payment network with a single, global, proprietary commercial card management platform designed to serve businesses both large and small. With decades of commercial card experience servicing 700,000 companies in 130 countries, MasterCard is unsurpassed in our ability to partner with corporates across the globe.

The global nature of our solutions means companies have access to a solution that provides a universally consistent user experience that is customized by currency, language and other localization elements, whether employees are based in St. Louis, Singapore or Switzerland.



Smart Data

We believe actionable data is the only data that matters. The Global Data Repository (GDR) is the integral element converting the “raw” data from the point-of-sale into actionable “information” usable to make strategic decisions. Here, we match commercial card transaction data from our worldwide acceptance network with detail from five global distribution systems, hundreds of travel agencies and more than 13,000 hotel folio partners.

This data is then cleansed, consolidated and then passed to a corporation's ERP systems or SmartData Gen 2, MasterCard's proprietary reporting and analytics platform, for expense reconciliation and management. The reporting is helping users understand what is bought, from where, and by whom, enabling better management decisions and facilitating supplier negotiations. It also increases policy and regulatory compliance by monitoring T&E or procurement spending patterns.

Innovation

A prime example of our commitment to payments technology innovation is in the area of virtual commercial cards, which are single-use, dynamically generated account numbers against which travel expenses associated with multiple users can be charged.

Presenting an alternative to a ghost/lodge/central bill card, the benefits of this global MasterCard service include:

- Total flexibility for all travel bookings—air, hotel, car rental/service, rail and TMC service fees
- Optimal security and fraud prevention through use of single-use account numbers
- Widest range of spend and category control parameters
- The data companies need to manage their travel spend 100% of the time
- Smart integration options for the TMC
- Support for traveler compliance to travel policy

Our leadership in areas of innovation like virtual payment cards has been a key driver for MasterCard becoming the #1 provider of commercial card solutions in the United States, according to Mercator's “State of Commercial Card Market 2015” study.

For more information about partnering with MasterCard, please visit www.MasterCard.com/Commercial.



MasterCard

- significant employee populations.
- c. Consider how implementation and ongoing service would be provided to each country and in which languages.
 - d. Understand local culture, language issues, labor union regulations, card acceptance, currency and other laws pertaining to card liability, employee data privacy and card issuance in each country.
 - e. Consider the degree to which global data consolidation will be required.
 - f. Consider foreign exchange rates.
4. Issuance and usage policies, such as mandates versus guidelines and allowing/disallowing personal use of a corporate card.
 5. Billing, payment and liability options.
 6. Interfaces with other front-end and back-end systems.
 7. Data consolidation specifications.
 8. Reporting and reconciliation specifications, including financial closing requirements and timing.
 9. Card products required depend on travel needs and employee types.
 10. Consider innovations like mobile wallets and biometrics technology.
 11. Does the provider issue chip-signature or chip-PIN authentication?
 12. Bidders need client-held days to price the bids; offer department breakdowns if available.
 13. ATM accessibility and foreign currency requirements.
- C. Establish the process.**
1. Describe the organization's culture and readiness for a new or changed card program, including country variances.
 2. Outline criteria for success: acceptances, technological capabilities, service structure and support and consulting expertise in addition to financial offers.
 3. Detail contract requirements, including organizational and country-specific privacy policies and language that ensures the organization owns the card data.
 4. Consider an automated RFP tool.
 5. Consider holding a pre-bid conference, if practical. This can help frame the RFP and specific requirements.
 6. Set times for issuing documents, developing proposals, reviewing and making final decisions—usually more than a 90-day period. Include key dates within the RFP.
7. Schedule presentations and technology demonstrations. Consider a two-step process in which only finalists are asked to present.
 8. Obtain client references, perhaps those with similar travel patterns, industry, spend, policies and geographic coverage.
 9. Determine selection criteria and list in priority, such as financial, reporting, acceptance and implementation.
 10. Identify elements for review. These should track to the RFP sections and questions asked of the bidders. Financial sections should be separate and show rebates and thresholds for earnouts.
 11. Develop scoring systems to facilitate objective decisions.
- D. Examine card types.**
1. Corporate card: Issued to individual employees and used for all types of travel purchases that are expensed to the corporation, either directly or indirectly after employees file expense reports.
 2. Ghost/lodge/BTA card: A central card housed with an agency that allows individual air, hotel, car rental and/or train expenses to be directly charged to and paid by the corporation. This type of card drives travel bookings through the designated agency and reduces employee liability for large debt. Reconciliation is more complicated and expensive.
 3. Alternative cards: For trainees or visitors, prepaid or stored-value cards, budget or declining balance cards, single-use virtual cards with specific date ranges, meeting cards, and cards restricted to specific merchants.
- E. Supplier options and configurations.**
1. An exclusive or preferred agreement with a supplier for a single reporting solution that provides global spend data for all business units.
 2. An agreement with a primary supplier that includes multiple card and payment solutions and such spend management solutions as sourcing and contract management.
 3. An agreement with a primary supplier and an account with a separate card provider for a particular service like a master number for a ghost card or Central Travel Account that all employees use for air travel or single-use virtual card numbers.
4. A central travel solution for air tickets to facilitate ticket reissuing and credit tracking, and simplify charge allocation if your expense management tool can allocate charges back to individual travelers.
 5. Diverse agreements with multiple suppliers: Organizational divisions with different cultures might need different card programs, though treasury departments often desire consolidated banking relationships to better leverage currency exchange and overall costs.
- F. Liability structures, billing and payment options.**
1. Corporate liability: Under this structure corporations take responsibility for payment. On a global basis, liability offerings may vary due to market norms and country regulations. For example, the European Union in 2015 passed legislation capping the fees card issuers can charge merchants. The regulation excludes corporate cards, but only when the company is billed directly, and excludes three-party networks like American Express. There are, however, two options for billing:
 - a. Central bill/central pay: The corporation receives a consolidate bill of all T&E charges and pays. This assures suppliers receive timely payment and allows organizations greater float.
 - b. Individual bill/corporate pay: The individual receives a bill for his or her own charges and is required to reconcile charges or file all charges through an expense system before the corporation pays.
 2. Joint and several liability: Structured as individual bill/individual pay, but the contract between the corporation and the payment provider will identify a set time for which the individual is responsible, generally 60 or 90 days; after that time, the payment provider will begin to bill the corporation.
 3. Individual liability: Mainly implemented in North America, this liability/payment structure may not be legally acceptable in some markets:
 - a. Individual bill/individual pay: The solution provider pursues individual cardholders for outstanding balances; ultimately, however, the corporation is invoiced for all unpaid balances or has unpaid charges

plier if all spend will be combined to calculate a single rebate or if there will be separate rebate programs. For midsize companies, multi-use cards can handle both T&E and procurement expenses, though they may have more limited functionality.

2. Meeting cards: Costs from meetings can represent a significant and largely untapped savings opportunity. Organizations may provide corporate meeting cards primarily to corporate meeting planners to help track expenses, ensure compliance with preferred suppliers, leverage volume to improve supplier negotiations, reduce the need for written checks and ensure proper expense allocation. Billing data can be integrated into a meetings management system, driving automated reconciliation and more robust reporting.
3. A one-card solution: Some issuers offer T&E, procurement and fleet or any combination on a single product. Examine employee usage to determine any benefit to such a combination and understand reporting distinctions. With a significant overlap of employees who would be issued both purchasing and T&E cards, a one-card solution may be useful.
4. Fleet cards capture enhanced data at the point of sale, enabling managers to monitor fleet efficiency. Fleet cards can be assigned to a vehicle or a driver, reduce misuse/unauthorized fueling and provide reporting on mileage, miles per gallon, grade of fuel and other data vehicle and driver data.
5. Prepaid, reloadable and declining balance cards: When used for per diems or other expenses and when the company centrally pays for flights and lodging, such cards reduce the burden on travelers. They don't require additional credit lines as they're based on a company's available funds, so they're useful for companies with limited credit and for companies with employees who don't have corporate cards. Managers can block cash withdrawals and merchant categories. The cards are valueless once funds are exhausted.
6. Virtual/single-use cards: This tool adds controls and better reconciliation to the benefits of traditional central billing accounts. Administrators instantly generate a virtual account number

to pay lodging, meeting, or travel expenses and collect necessary transaction data for contractors, recruits, nonemployees or infrequent travelers. They can specify transaction amount limits, merchants, expiration dates and sometimes the number of uses.

When embedded in an airline record, the 16-digit account number becomes a unique identifier for reporting and simplifies the reconciliation process. Some virtual card providers offer mobile apps that allow users to bring up front-and-back images of the virtual cards on a smartphone to show to hotel front desk clerks or enable travelers to email, fax or text card information.

7. Debit card options have emerged in Europe as a means to avoid airline fees on credit cards. Debit cards have greater risk of liability than charge cards.
8. Networks enabled mobile wallets, like Apple Pay and Android Pay, for corporate cards in 2015. Companies must determine security protocols in case a phone is lost or stolen for company data that is integrated and shared with the phone and mobile wallet. Considerations will vary depending on whether employees use company-issued or personal phones. MasterCard and BMO also launched biometric authentication through fingerprint or photograph for added security.
- K. Consider your purposes in using card-generated management information to help determine:
 1. How is information broken down?
 - a. By spending categories and specific suppliers.
 - b. By activities.
 - c. By organizational levels and units.
 - d. By geography, language, culture and currency.
 - e. By industry and market.
 2. How many sources of data are integrated into the reporting (e.g., card, hotel folio, booked data)?
 3. Who needs access to information and how will they receive it? Will data interface to one or multiple GLs?
 4. How often is data downloaded into the expense reporting system?
 5. What are the capabilities for electronic data transmission and report generation?
- L. Size and scope of a program.
 1. How many cards will you issue, bro-

ken out by country?

2. On what basis will cards be issued: frequency of travel, employee type/title, number of expense reports or expenditures?
3. Do you need travel insurance, purchase protection or roadside assistance?
4. Do you want to provide to some travelers executive-level cards, airport lounge access and concierge services? A limited group of senior officials can generate added supplier costs.
5. Will you limit card use to business expenses or let employees charge personal expenses? If so, how will employees report and pay for personal expenses and consider what liability structure should be in place, (e.g., individual versus corporate)? Do your employees have a delinquency history?
6. For individual liability programs, determine policy and procedures for employees denied cards by the supplier.
 - a. Will the organization guarantee payment for those cardholders refused credit cards? If yes, what will the approval process be? Can a prepaid card be issued? Will the organization provide denied applicants direct billing, single-use cards, ghost cards, prepaid cards, cash advances or other payment methods?
 - b. Will the organization support employees who exceed credit lines? Is there a process in place to increase credit lines on an as-needed basis?
7. Determine a policy on delinquency and late fee reimbursement, and align this to your organization's T&E reimbursement and submission deadlines. Will the employee be liable for late fees? Set guidelines and a notification process to suspend or terminate cards.
8. Set restrictions on maximum amount per transaction, frequency and ATM use for cash advances.

III. SUPPLIER SELECTION

- A. Select a card network like MasterCard, Visa or American Express and an issuer. Talk with both to understand the role each plays and the value they bring.
- B. Do other departments within your company, such as HR, fleet and purchasing, do business with a card provider? If so, pool volume to drive down costs or increase payment incentives.
- C. Some travel agencies and global

distribution systems work closely with issuers and/or card networks to provide itinerary data to supplement and enrich card data for better reconciliation.

1. Coordinate management reporting.
Match TMC and card supplier data to identify discrepancies in travel bookings and actual spend, often referred to as a leakage report.
2. There may be advantages in implementation and coordination in situations where travel agencies have established relationships with card suppliers.
3. There may be negotiating leverage in bringing card and travel business to organizations that are partners.
- D. Issue a formal request for proposal or a less-structured request for information to learn of card supplier offerings.
 1. This process may require a predetermination of qualified suppliers and possibly a pre-bid conference.
 2. Assemble a team of representatives from financial, travel, human resources, accounting and legal. Senior management support is critical.
3. After drafting a set of focused questions to qualify and differentiate provider respondents, consider creating a format or using an automated sourcing tool through which suppliers submit bids and specifications to help compare financial arrangements and services. This enables more suppliers to participate with virtually no additional effort for the organization.
4. Consider including a list of minimum contract terms and conditions.
- E. Ask bidders for references from organizations similar to yours and check with non-cited accounts through industry sources. Bidders always offer up their most loyal customers. Attempt to identify and contact accounts that bidders lost.
- F. Reporting capabilities.
 1. Which reports are standard, and what is required to receive customized reports? How are ad hoc requests handled and priced?
 2. How many hotel chain, property

and spending category folio level details are provided? How is it sorted and presented? Does it break down geographical area by chain or chain by geographical area?

3. Does the card capture data on air trips with more than four legs?
4. How are air ticket refunds tracked and credited?
5. How many fields are available on card reports and how many characters are allowed per field? How much flexibility exists for customizing the available fields?
6. How are ancillary airline fees tracked and reported? Does the supplier use any third-party data or analysis to better identify such fees?
7. Can you build a hierarchy for issuing reports, allowing some executives/business units to get summaries and others to get specific reports for their departments? Do the reports provide drill-down capabilities?
8. To spot trends and developing prob-

A Network of Solutions, Advancing Travel Payment

ITINERARY-LEVEL DATA — REDUCE COSTS

INCREASE CORPORATE LOYALTY

Learn more, visit UATP.COM
marketing@uatp.com

UATP[®]

- lems, which prior-period comparisons are provided?
9. Does the supplier provide performance benchmarks? Can you benchmark your spend to that of other companies in the same industry or of a similar size? How often will this information be provided? Such information can improve negotiating leverage with other travel suppliers.
 10. What is the reporting frequency and the time from close of billing to report?
 11. What is the turnaround time and fee for the supplier to produce a customized report?
 12. In which local languages and currencies are reports provided? Can the reporting be rolled up to provide a consolidated, global view?
 13. Does the data integrate with other sources? For example, does the payment card report hotel folio line items, enhanced airline data and booked data? Is the T&E data consolidated across all regions, including regional partner card issuers, for a complete view of your global travel program?
 14. How long is data stored? What is the backup process?
 15. How often is the data reporting system updated?
 16. Do reports meet travel and purchasing requirements?
- G.** Consider data access. As an alternative to paper reports and statements, most suppliers provide online access to reporting and query tools. To create your own reports with supplier-provided software, consider:
1. The cost of such capabilities.
 2. Frequency of account data updates.
 3. Does the software help create ad hoc reports, charts, tables and graphs? Can it transfer files into programs for communication and writing reports?
 4. Will an administrator on the organization's side need training? If so, what is the timeline? Is it individualized or generic? Is support guaranteed?
 5. Request samples of standardized and customized management reports from actual accounts.
 6. Can the data interface to your general ledger, expense, procurement or other systems?
 7. Can you split cost allocations?
- H.** Data security: How will data encryption be managed? Who will have access to the files? To what extent will you allow the card company to use your spending data for internal marketing and forecasting? How many employees in your organization will have access to secure modes of data transmission between the organization and card provider? Develop an understanding of the security and redundancies of the card issuer with respect to their data facilities. Is the data and reporting solution owned by the supplier or outsourced to a third party?
- I.** Billing policies and practices.
1. Procedures.
 - a. Are billing cycles daily, weekly, monthly, bimonthly or quarterly? How closely can billing coincide with accounting cycles?
 - b. Are statements available online?
 - c. Can statements be customized?
 - d. What is the method and cost for converting charges made in foreign currency? Card companies charge currency conversion fees that range between one percent and three percent of the transaction cost. While such fees have been increasing for basic cardholders, they typically are less costly than converting cash in foreign countries. ATM withdrawals also incur their own currency conversion fees. Do not accept automatic fee increases during the contract period without advance notice and explanation.
 - e. Do foreign exchange fees appear as separate line items or are they included as part of the exchange rate?
 2. Account reconciliation.
 - a. Does the card supplier assist in reconciling central air billings with tickets actually used? Can it reconcile travel agency data with billings?
 - b. Is enhanced data passed from the issuer or card network to facilitate reconciliation? Is it automated or manual? What is the match rate?
 3. Dispute avoidance and resolution. How user-friendly is the supplier process for disputed charges and is there suspension during investigation of disputes, and for how long?
 - a. How does the supplier check statement accuracy?
 - b. What are the procedures for reporting and tracking disputed charges? Can you resolve a dispute online?
 - c. How are delinquent accounts, suspensions and cancellations handled?
- d.** Does the supplier provide delinquent payment reports on outstanding charges after giving employees 30 to 45 days to pay their bills? Will overdue accounts be canceled automatically? Will there be a penalty if payment is not made by a specific time frame?
- J.** Liability provisions: Responsibility for fraud, misuse and employee delinquency is critical for suppliers and client organizations. Suppliers usually have policies to address them, yet seek clients' help in minimizing exposure. Agreements should cover:
1. Exemption for the organization from liability for purchases made with lost or stolen charge cards that have been reported to the card issuer.
 2. Exemption from liability for charges after the organization notifies the card issuer of employee termination. A maximum period of liability after employee terminations or departures should be negotiated for charges before the card is returned and cancelled.
 3. The roles of the supplier and client in dealing with delinquencies.
 4. Liability variance by country.
 5. Optional insurance to protect the organization against employees' unauthorized use of the card.
 6. How losses will affect rebates.
- K.** Fraud prevention: Who is responsible for covering the cost of fraudulent purchases? Does the supplier have fraud insurance coverage? What controls are in place? Define controls and establish spend patterns at the beginning of a program. Note executive travel patterns and countries visited, as they often get flagged in the beginning of a program. What type of effort will the card supplier make to investigate and resolve issues?
- L.** Spending limits:
1. Can limits vary by cardholder, rank, division or travel frequency?
 2. If limits are used, are they monthly or rolling? If rolling, what is the time frame?
 3. Can they be varied by type of merchant, so an organization can cap or block spending with some retailers?
- M.** Cash services and management.
1. Decide if, when and to which travelers to provide cash withdrawals.
 - a. Investigate locations of automated teller machines and issuer offices

- in relation to business destinations.
- b.** Research cash-dispensing and currency-conversion fees.
- c.** Vary limits on the number and amount of cash advances available to cardholders by rank or job title.
- d.** Cash advance reporting.
- e.** Funding and payment processes.
- 3.** Reimbursement: Some providers offer direct-deposit reimbursement to cover travelers' out-of-pocket expenditures, reducing cash-related administration processes.
- N.** Rental car insurance: Most charge card programs provide supplemental rental car insurance coverage, but terms vary.
 - 1.** What car rental insurance is provided—collision or loss damage waiver?
 - 2.** Is the insurance primary or secondary coverage?
 - 3.** What is the limit on a claim, the maximum rental period covered and the types of vehicle?
 - 4.** Are there age coverage limits?
 - 5.** Eliminate coverage that is redundant with corporate coverage.
 - 6.** How will coverage and liability vary by country?
 - 7.** How long does the cardholder have to file a claim?
- O.** Air travel/accidental death and dismemberment insurance: Some coverage is standard, but program details differ.
 - 1.** Is coverage door to door or does it only apply while airborne? Does it apply only when traveling via common carriers, and what are considered common carriers? E.g., do hotel shuttles fall into that category? Does it cover terrorism? Does it cover personal travel put on the corporate card? Does it cover unforeseen emergencies?
 - 2.** Does it cover travel expenses, injuries or deaths that result from accidents or "Acts of God" during travel? Compare card base versus corporate coverage to see how to handle acts of war or terrorism.
 - 3.** Are other types of insurance offered:
 - a.** Lost or delayed baggage and airline default.
 - b.** Hotel burglary or medical evacuation coverage.
 - 4.** How does coverage vary by country?
- P.** Emergency services: Inquire about referrals for local doctors and lawyers, lost passport, driver and financial assistance.
- Q.** Trip-planning and follow-up offerings.
 - 1.** Destination information.
 - 2.** Service provider discounts.
 - 3.** Visa and customs regulations.
 - 4.** Track and reclaim value-added tax.
- R.** Executive card features: Although premier level cards have higher annual fees, prudent distribution of these cards can be a good value. Features can include 24/7 VIP customer service, airport lounge access, free international airline companion tickets, leisure travel booking assistance, increased insurance coverage and delivery services for checked bags.
- S.** Supplier background.
 - 1.** Cards issued, management team experience and growth rate.
 - 2.** Charge card history, related businesses and financial results.
 - 3.** Organization and infrastructure.
 - 4.** Multinational support.
 - 5.** Current financial strength.
 - 6.** Related and complementary products, including other payment products, automated sourcing, contract management and spending management solutions.
 - 7.** Experience training for the account management team that would be assigned to your organization.
 - 8.** Ongoing support and consulting for card program expansion.
 - 9.** Capabilities as a provider for payment reporting tools.
 - 10.** What is the credit check process for employee cardholders and will it impact individuals' credit?
- T.** Acceptance: Suppliers compete aggressively on these numbers. Ask them to explain how the provider calculates acceptance numbers to ensure figures are meaningful.
 - 1.** Number of merchants honoring the card by business category and region.
 - 2.** Would the card network, via issuer request, be willing to do an "acceptance match" for all of the organization's top merchants? Since most card suppliers promise full acceptance, there should be no special charge or fee for extending this to key merchants not already in the card bidder's program. It may not be feasible to add smaller merchants, especially in some foreign countries.
 - 3.** Assess acceptance and merchant fees for the type of card you will be using. Most airlines, hotels and car rental firms accept every corporate card, but merchant fees can vary. T&E cards dif-
- fer by restaurant and retail merchant acceptance. There are vast differences for procurement cards.
- 4.** Are any merchant fees passed on to cardholders? This is not typical for airlines, but in some locations this is becoming an issue as the TMC passes the fee back to the client organization.
- 5.** Does the card issuer have a dedicated internal group or an alliance with an external company to initiate card acceptance for key suppliers without it?
- U.** Evaluate global support capabilities.
 - 1.** Does the card issuer work with banks in various countries to issue cards in local currencies and consolidate data?
 - 2.** Is there a single point of contact for customer service, with regional or local contacts in multiple countries but with one global manager in your organization's headquarters country?
- V.** Evaluate both immediate and long-term supplier support for strategic and mechanical matters. This includes:
 - 1.** Implementation.
 - a.** Get a timeline from the supplier on the launch period.
 - b.** What is the enrollment process? Can cards be distributed from a human resources list or must each employee complete an application? What type of implementation support does the supplier provide?
 - c.** Will cards be mailed directly to employees or sent to one centralized contact for distribution?
 - d.** What training materials and resources will be provided? Does the supplier's software have built-in help documentation for reference?
 - e.** Will the supplier monitor the launch and field questions?
 - f.** Can the card company ensure success of the launch? Consider a key performance indicator for implementation and contracted service levels with incentives and penalties.
 - 2.** Account management.
 - a.** Will there be one or more individuals dedicated to your account? If not, how much time will support personnel allocate? Confirm the experience of your selected team, and the average length of service provided to a client. How many clients will that person handle?
 - b.** Confirm your executive sponsor at the supplier.

- d. When and how will your account be transferred from launch to ongoing relationship management team?
- e. What are the supplier's procedures for measuring satisfaction, troubleshooting and problem resolution?
- 3. Card administration.
 - a. Will your organization have a dedicated service team, even if you select more than one card supplier?
 - b. Can you apply for cards, terminate accounts, change addresses and perform other account maintenance online in real time?
 - c. Is there a 24-hour worldwide number to report lost or stolen cards? What are the provisions for replacing them? How long does it take to issue a replacement? Are there options to expedite replacement cards in emergency cases? Set a performance metric in this area and report it monthly.
 - d. At what point before expiration dates will employees receive a replacement card?
- 4. Merchant support: What are the processes for converting merchants, particularly for the purchasing card?
- 5. Will the supplier provide transitional services at the end of the agreement if you change providers? Will it accept contract provisions guaranteeing the transition?

IV. MAKING A DEAL

When negotiating, remember that a charge card supplier is most motivated to control the variables of funding and card issuance costs, and credit losses, and also is interested in float and how quickly you'll pay your bill.

A. Fees.

- 1. Many commercial card suppliers do not charge annual fees, even for smaller corporate customers with annual air spending as low as U.S. \$1 million, but they usually charge fees associated with mileage loyalty programs, elite member privileges and rush card applications.
- 2. A supplier may waive fees for a smaller account if the organization is willing to assume liability for all employee charges, if the organization has a good credit history, has other mandated card programs with low client-held days, banking relationships with the supplier or if it is located where the supplier wants to build market share.
- 3. Other fees to define:
 - a. Penalty charges, late fees and over-the-limit charges: Are these fees assessed monthly or applied to every charge made over the limit?
 - b. Fees for such services as cash advances from ATMs, loyalty programs, management reporting, foreign exchange, reconciliation, daily expense reporting, rush cards, receipt copies and statement copies.
- B. Signing bonus/rebates: A card supplier sometimes offers a signing bonus or rebate for organizations with annual spend on commercial card programs measuring in the millions. Many issuers require a three-year contact, and five-years is not uncommon.
 - 1. Rebates are tied to the organization's annual card spend, payment terms, speed of pay, average transaction size, losses, whether a loyalty program is part of the requirements and other factors, including credit performance.
 - 2. Payment terms and the organizational commitment to get employees to pay on time affect rebate negotiations.
 - 3. Typically, rebates vary in terms of basis points of the organization's volume, and for large spenders can be significant. Rebates typically are paid annually, but also quarterly or monthly. Confirm any large ticket exemptions to rebate calculations. Maximizing float sometimes can be more cost-effective than securing a rebate. Some corporations accelerate payment terms with issuers in exchange for larger rebates.
 - 4. Ask the supplier to define rebate calculation structure, performance factors and payment schedule.
 - 5. Ask the supplier to provide support documentation for all of their rebate reductions, including bad debt and frequent traveler program charges.
 - 6. The economics of the merchant system differ in various parts of the world. If you are issuing cards globally, funds available for rebate will vary considerably. Issuers could propose a blended rate or rate by region.
- C. Ask the supplier to demonstrate how the proposed program will save money. Provide information on current methods and costs for such functions as cash

- advances and expense report accounting.
- D. Specify contract length, study limitations and responsibilities. Spell out specific implementation and service requirements in writing for legal review.
- E. Some corporate payment system suppliers will incorporate the organization's logos, imprinted organization/business unit name or co-branding on the actual card face. However, putting the organization name and/or logo on corporate cards identifies them and risks fraudulent activity or may make the cardholder a robbery target.

V. IMPLEMENTATION

Communicate with your organization's travelers in advance of rolling out a card program. Be ready for their questions and confusion.

- A. Plan to roll out the program in manageable pieces. Determine the unit most ready to adopt the card.
- B. Design an implementation and communication plan and announce the payment program in advance of the date that the cards are activated. Include videos, webinars or instructor-led training in the plan. Send reminders. Back it up with a direct letter or memo from a high-level person in the company who supports, or sponsors, the program. Your issuer may be able to provide communication templates.
 - 1. Ensure that each country that is impacted is engaged, including the local legal department.
 - 2. Sell the program in terms of traveler convenience and service benefits.
 - 3. Communicate policies governing the use of the card and specify how violations will be handled. Determine card control features, such as spending and velocity limits, based on policy.
 - 4. Get cards into travelers' hands just before cards are activated.
 - 5. Schedule a followup employee training session around the time that the first or second monthly bills arrive.
- C. Establish a point of contact for input and questions from travelers. For initial or ongoing training, consider hosting a recorded educational session about the card benefits and use.

Prepared by JoAnn DeLuna with assistance from University of Colorado associate vice president and chief procurement officer Sandy Hicks, MasterCard senior vice president of global T&E Jud Staniar and U.S. Bank senior global product manager Julie Tvedt. ■

Core Technology & Data Reporting



ONLINE BOOKING TOOLS, EXPENSE REPORTING SYSTEMS AND DATA

reporting platforms have long been core to the travel management tech stack. And for good reason: Booking tools drive down full-service transaction costs, support policy compliance and drive preferred vendor usage; automated expense systems capture and report essential program data, while keeping employee spending in check; and data reporting systems provide travel program administrators, senior executives and budget holders both high-level and close-in views of a company's travel program. Considering the importance of each, organizations must carefully choose the right technology and partners. It's not always easy, especially as technology evolves quickly. In recent years, travel agencies, startups and established players have come to market with a dizzying array of next-generation reporting, business intelligence and visualization platforms. Corporate booking tools may have reached maturity years ago, but providers continue to evolve user interfaces, content availability and mobile experiences. Some established players, including Amadeus, Deem and Sabre, have made moves in the past year to reinvigorate booking offerings. Meanwhile, though the expense field may be dominated by Concur, there are plenty of challengers—new and old—that bring new ideas, features and interfaces worthy of consideration.

I. STRATEGIC PLANNING

Align the deployment of travel technology with your company's goals and objectives.

- A.** Begin developing a travel technology strategy by identifying and examining areas in which your company can realize the greatest service-level and financial gains. Benchmark your operation against best-in-class organizations. Once discrepancies are identified, create action plans. Consider the organization's readiness to promote and enforce travelers' and travel arrangers' use of technology, how travel fits with corporate IT strategies, costs and estimated return on investment, the availability of IT support and senior management interest. Including the major stakeholders from the earliest stages improves the process and helps to earn travel program support. It particularly is helpful to involve IT in testing new systems. Be sure IT understands the level of involvement; when products need very little IT support, your project may be scheduled earlier.
- B.** Determine if technology is already available within your organization that could include travel data.
- C.** Security concerns preclude some companies from linking networks with such outside organizations as TMCs, and some companies have strong firewalls that inhibit linking to outside systems. Anticipate internal firewall and data access restrictions and requirements. Determine the compatibility of external systems with existing internal systems.
- D.** Consider including divisions or subsidiaries in other countries, and support technology and users in multiple languages. Ensure that you are aware of and in compliance

with local data privacy laws.

- E.** Don't automate needlessly. Make sure the return is obvious and probable. This may be an important consideration for other countries in your program that may not be capable of supporting the technology and/or may not have sufficient volume to justify the required investment and process changes.

II. ONLINE BOOKING TOOLS

Online booking tools can reduce travel-processing costs in several ways.

- A.** Most corporations pay their TMCs less for facilitating automated reservations than for transactions that involve agent interaction, thus cutting the cost of the booking process. Online bookings typically are divided into completely unassisted transactions, which are fully automated and incur the lowest cost, those with limited agent intervention and fully assisted transactions, which carry higher fees.
- B.** Automated fulfillment, meaning ticketing and quality-control processes, can allow corporations and their contracted TMCs to handle more volume with the same headcount, although non-automated transactions—often related to international, multi-leg and so-called “open-jaw” itineraries—are more complex and require more time and expertise.
- C.** Online tools offer policy controls and preferred supplier management that client organizations can configure for their needs.
- D.** When evaluating how widely to deploy tools that obtain travel data and make bookings, consider:
 - 1.** Easy access: If the company culture encourages self-sufficiency, giving everyone access to the reservation system should improve efficiency by reducing or eliminating direct telephone contact with travel agents. This includes access via mobile devices. But also consider end users. Senior executives and/or their executive assistants initially may resist online booking, for example.
 - 2.** Policy mandates: Companies that drive the highest adoption rates sometimes have some form of mandate in place. Policy mandates can be full or partial, with some including specific language to book, for example, all domestic trips

online, while others mandate such bookings only for simple roundtrips or for specific city pairs. Some companies have cultures that are not conducive to mandates but effectively can drive compliance through well-communicated travel policies that are strongly encouraged by management.

3. Fee differential as incentive: Some companies that charge different per-transaction fees based on the form of booking at the point of sale have achieved high levels of adoption without a mandate. Often, the fee for a telephone booking with an agent is at least twice as high as the fee for an online booking. Charging higher fees for online transactions requiring human intervention also can prompt travelers to strive for unassisted transactions.
 4. Reduced level of live-agent service: When there is no cost impact, some travelers will use a live agent if given the option. Some companies mandate the online system for all travelers for certain types of bookings and use agents only for more complex bookings, including international ones.
 5. Senior-level support: High-level support from a senior executive, preferably the CEO or CFO, can be helpful if not essential.
 6. Pilot groups: Some companies proceed methodically after beginning technology implementations with a small, controlled group of interested users, often the most technologically aware and/or the most frequent travelers. Other companies may endeavor to roll out a system companywide within three months.
 7. Some online tools offer online/offline functionality, where all reservations, regardless of complexity, start in the online tool. A rules engine determines which reservations are eligible for online booking and which an agent should handle. The offline reservations are provided to an agent in a structured format, which eases the booking process.
- E.** Online booking systems either contain or can tie into separate pre-trip approval systems, allowing additional methods of controlling costs and tracking travelers. Some systems use passive approval, or pre-trip notification, rather than active approval, or pre-trip authorization, to

avoid unnecessary bottlenecks. Other systems provide comprehensive pre-trip authorization processes that work with existing ERP systems and workflows.

F. Considerations.

1. Determine which bookings are eligible and ineligible for online booking. For many companies, 100 percent of all domestic bookings with four legs or less are eligible, as well as all simple, round-trip international itineraries. Focus on increasing the number of the eligible bookings.
2. Is the speed and user interface of the self-booking tool in line with traveler expectations? Consumer products that are more adaptive and have different functionality can create traveler frustration with corporate tools. Corporate online tools generally are behind the leisure market in terms of usability and design.
3. Can the self-booking tool access and consolidate inventory from global distribution systems and non-GDS sources, and support direct supplier connections? How does the online booking system manage unused ticket credits, changes and exchanges?
4. Is the TMC contract based on a shared-cost configuration or another arrangement under which savings generated by the use of online booking systems are passed on? If planning rapid migration to online booking, a fully loaded transaction-fee relationship with a TMC allows you more quickly to take out costs on the traditional full-service side. Make sure the TMC plays a role in increasing online adoption.
5. Identify customer support services provided by technology providers. Will customer service be provided by in-house IT, the technology provider or the TMC?
6. Determine whether the TMC or the corporation will own, license or control the technology. There are several considerations when assessing a direct contract with the technology provider versus using a tool via a TMC's reseller agreement. This area can have significant cost and service implications over time.

III. DATA REPORTING

Travel data reporting generally refers to the practice of taking raw travel

data and converting it into useful information to inform supplier contract negotiations, travel policy development, risk management, traveler compliance tracking and budget forecasting. Traditionally, travel data reporting has been separated into pre-trip and post-trip reporting. The three primary options for receiving travel data reporting are from a TMC, from an independent third-party supplier or developing a reporting system in house. Many companies use a combination of these options.

- A.** Travel managers should pursue reporting solutions that let them produce standard reports and custom reports, as well as the ability to visually represent report results. Advanced reporting tools provide more analytics, such as benchmarks to determine relevance to peer groups, trend analyses to determine the effectiveness of programs and recommendations to improve performance.
1. TMCs aggregate data from raw booking records that originally come from GDSs, online booking tools and internal accounting systems. Other travel data can come from airlines, hotels, car rental companies, ground transportation providers, itinerary aggregators, dining solutions providers and others. Reconciling multiple data sources, including credit card data and expense data, can provide for better analytics and a more complete picture of a travel program. A few TMCs are starting to offer these services for additional costs.
 2. A number of third-party data consolidation services aggregate data from multiple TMCs and countries and provide corporations with management reports that can help identify market opportunities and provide better global analytics. However, data protection regulations vary by country, and data privacy may create restrictions to what data can be passed into a central system. The raw data sources have improved in recent years, but aggregating global data still remains difficult.
 3. In-house business intelligence tools, reporting and data visualization tools have matured in recent years and may provide additional options for travel reporting. Many of these system have been optimized to work within corporate networks and integrate with corporate intranets with single-sign-

on functionality.

4. Whether you choose to work with a TMC, third party or construct your own in-house, there are a few considerations. Look for solutions that are both Web-based and can be displayed on mobile devices such as tablets. Both reporting tools and visualizations should have ad hoc capabilities. This is the ability to add and remove data fields and sources in reports and charts. Since data security is so important, any solution should store sensitive information in an encrypted format and filter displayed information based on user access. Also look for solutions that have some data quality monitoring to help filter out or identify bad or missing data before it gets into a database.
 5. Reports are used not only by travel management departments but also by other groups within a company, such as finance, human resources, safety and security, site services and purchasing. Look for the ability to automatically schedule reports to be pushed out to corporate viewers. For dashboards and visualization solutions, make sure that any solution only displays the appropriate results based on viewer privileges. For example, you may not want one business unit leader seeing another business unit's data and information. Be aware that some solutions charge by number of users, so costs may be higher depending on who you want to see the reports and visualizations.
- B. Considerations for handling your own management data reporting.**
1. Hardware and software costs: As is true for all automated services provided by a TMC, even if hardware and software are provided as part of a service package, the costs will be factored into your TMC agreement. Also consider engaging a consultant or other third party.
 - a. Understand if there is an internal cost if your IT department is involved.
 2. Time and personnel resources.
 - a. There will be an initial learning curve and a continuing investment in time to make effective use of any system, although graphics and point-and-click techniques for interaction should provide relative ease of use.
 - b. More than one person in the travel department must be able to work with the system. Consider information skills and data analysis skills when staffing. Additionally, internal audits may benefit from direct access to the systems and subsequently may ask for access.
 3. Consult with other companies of similar size regarding their experiences with reporting/business intelligence systems. Ask vendors to provide a list of all corporate customers. When buying any technology, references from trusted sources are critical. In addition, it is a good practice to attend industry conferences to get an idea of what products are available and what technology advancements have been made.
 4. Operating features.
 - a. Don't take claims of the tools' user-friendliness at face value. Work with the system and ask for a live demo. It is also a good practice to know exactly what features you are looking for prior to examining products.
 - b. Think about what to do with the system's output and who will see it. If the reporting system has an administration function for creating users and privileges, know how it works and estimate the time it will take to administer the system.
 - c. Evaluate reporting formats and graphical capabilities to ensure you can produce the figures and charts you need. Ask if your TMC can produce average figures for the same data points. If you need global data, find out if the system will enable you to compile it and if there are any built-in data quality checks to insure data aggregation is accurate. Almost all reporting systems have some graphing/charting functionality. Understand the graphical capabilities and limitations.
 - d. Ask questions about system maintenance and support, software updates and follow-up expenses. If the system has a user-based licensing model understand the costs to add more users. Always plan for more users than originally thought.
 - e. Performance. Make sure you have some guarantee for acceptable performance, usually this is done through service level agreements agreed to in a contract.
 5. Data integrity: The information

you receive in reports only will be as good as the data that passes from reservation records into the accounting system. Investigate the accuracy of current reports and establish front-end procedures to produce the most reliable and comprehensive data. Work with your suppliers to score data accuracy for critical data elements. In this way, problem areas are highlighted, solutions can be developed and partnerships strengthened.

IV. EXPENSE REPORTING

Many companies have reported a quick return on investment from automated expense reporting. Cost savings appear relatively quickly and are easy to quantify. Automated expense management solutions enable corporations to feed expense information to accounting systems and maximize the benefits of corporate card programs. These solutions offer a variety of capabilities, including feeding booking and corporate card data into expense reports; routing approvals and workflow; and reimbursing travelers via automatic funds transfer. Providers offer mobile software that collects entries and captures receipt images. The most advanced solutions also include robust analytics. Legal and regulatory requirements can make automated expense reporting systems, which have built-in audit controls, more attractive. Ideally, automated expense systems capture booking and credit card data and download it into prepopulated expense reports as the traveler incurs expenses. The traveler can make additions and corrections and forward the report to a manager through the corporate accounting system. This has been the long-time promise of electronic hotel folio data, which some expense tools, payment systems and hotel chains currently provide.

- A. Typically, the finance organization originates the initiative to rework an expense accounting process, and the corporate travel manager is involved as a member of a cross-functional team seeking solutions. Travel managers and experts in accounting and information systems need to examine each expense system option to determine whether it meets the company's goals and objectives.
- B. Automating expense reporting can:
 1. Give companies more control over spending, especially for meals, travel

and entertainment.

2. Make it easier for travelers to complete expense reports accurately.
 3. Encourage corporate travelers to use online booking software or the corporate card to prepopulate expense reports.
 4. Cut the administrative cost of expense reimbursement processes.
 5. More efficiently and accurately post expenses to company general ledger and accounts payable systems.
 6. More accurately track expenses by business area or billing code, and meet regulatory reporting requirements.
 7. Manage cash more effectively by reconciling expenses with advances issued by the company.
 8. Pay corporate card balances and reimburse travelers more efficiently.
 9. Route reports electronically for manager approval.
 10. Provide management information for the specific purposes of enhancing forecasting and travel supplier negotiating.
 11. Make receiptless processing possible for pre-populated corporate card items.
 12. Provide comprehensive pre-trip travel authorization processes.
- C. Considerations.**
1. How unique is your process for managing travel and entertainment expenditures? Will you need customization, or at least the ability to configure the system in various ways? Does your company require integration with multiple corporate payment systems? Does your company require integration with multiple expense management systems in various countries? What about variety in policies requiring a complex configuration and/or integration with multiple systems?
 2. Does your company have an enterprise resource planning system with a built-in module for travel expense management?
 3. Would your online booking and management reporting solutions interact with a proposed electronic expense solution? How? Is there a really good reason to expend the significant effort needed to integrate expense reporting with other travel management technology, such as the online booking tool?
 4. Can the system validate mission-critical company information? Many organizations rebill their travel costs, and accurate accounting of cost center

information, project codes or job numbers is vital to proper and accurate client invoicing.

V. SUGGESTED QUESTIONS WHEN BUYING TECHNOLOGY

- A.** What is the technological expertise and travel experience of the developer?
- B.** How well-funded is the travel technology supplier, and how likely is the supplier to continue to support you months and years from now?
- C.** What is the supplier's responsibility for support, maintenance and enhancements after the initial purchase?
- D.** What training will the supplier offer travel managers and travelers? Is training necessary or is the technology intuitive?
- E.** Does the supplier invest in long-term system enhancements? How often are new releases of the system issued?
- F.** How many corporations have installed the system?
- G.** Will the supplier provide recent reference accounts with whom you can speak? Can any reference accounts provide objective data that demonstrate a return on investment for the system?
- H.** Will you consider a system purchase, hosted service or software license?
- I.** How quickly will a purchase generate a return on investment for your company?
- J.** What are the timelines involved in testing and implementing the system?
- K.** Can the supplier implement, support and enhance a global product?
- L.** What mobile options are available?
- M.** How is customization generally handled? Is the sign-on process easy? Many IT departments insist on single-sign-on where possible, providing access to all company applications.
- N.** Is the system dependent on any specific equipment or programming language, such as Java, HTML or XML?
- O.** What are the data warehousing and data mining capabilities of the system? What are the supplier's confidentiality and indemnification provisions for the data and the technology? Who owns the data, you or the supplier? How well will the database integrate with your current information technology environment? How, how often and to where will data be backed up? Understand the duration for which your organization generally stores data.
- P.** Will the supplier let you test the product on a demonstration site?

- Q.** What about a free pilot to validate both the difficulty in implementing and in using the system?
- R.** Who provides Level 1 and 2 support and how extensive is each level?
- S.** For online booking tools:
 1. Is the system fast and easy to use for booking and trip retrieval?
 2. What content is offered? Are non-GDS suppliers integrated? What fees are applied when searching or booking non-GDS content?
 3. Does the tool provide the ability to synchronize online and offline profiles? How does the traveler profile management tool integrate with the GDS, online booking tool, and HR or ERP system?
 4. Can the tool facilitate an approval process? What happens if the primary approver does not respond within a reasonable period of time?
 5. How does the tool ensure data integrity and security?
 6. What online fulfillment operations and strategy are in place by region?
 7. What technical or navigational support is provided for travelers and in what languages?
 8. What is the cost for ongoing support after the initial implementation?
 9. Will the supplier be involved in prioritizing ongoing enhancements and changes to the system functionality?
 10. Can the technology help move share to preferred suppliers?
 11. Does the system generate a booking that is easily ticketed and touchless?
 12. Can the system support corporate discounts?
 13. In the case of an agency switch, will access to system data be available?
 14. Are mobile bookings and changes options?
 15. What capabilities does the system offer to purchase unbundled airline services, such as preferred seating?
 16. Does the system auto-acquire bookings made through traditional channels?
 17. Which criteria can trigger a dynamic message to a user?
 18. Can the TMC and developer provide sufficient support?

Prepared by Jay Boehmer with assistance from Travel and Transport general manager of strategic initiatives Brian Beard and GoldSpring Consulting senior consultant Kim Castro. ■

BUSINESS TRAVEL

HALL of FAME



Join over 250 travel industry executives at the **6th Annual Business Travel Hall of Fame** induction ceremony and dinner as the **BTN Group** recognizes four of the industry's most influential executives who helped shape today's business travel landscape and created legacies of achievement. Celebrate and pay tribute to those being inducted as they reflect on their accomplishments and look at the future of business travel.

DECEMBER 5, 2016
7:00 PM – 11:00 PM
THE ST. REGIS NEW YORK

REGISTER AT BUSINESSTRAVELHALLOFFAME.COM

GOLD SPONSORS

American Airlines



DELTA

LOEWS
HOTELS • RESORTS

UNITED
A STAR ALLIANCE MEMBER

SILVER SPONSORS

GLOBAL BUSINESS TRAVEL



avis budget group

BW | Best Western.
Hotels & Resorts

BRONZE SPONSORS

enterprise
DRIVE ALLIANCE PARTNER

National

starwood
Hotels and
Resorts

PRESENTED BY

BTNGROUP



2X THE GLOBAL ACCEPTANCE OF AMERICAN EXPRESS.*



[mastercard.com/acceptance](https://www.mastercard.com/acceptance)

* The Nilson Report, June 2016. MasterCard, the MasterCard Brand Mark and Priceless are registered trademarks of MasterCard International Incorporated. ©2016 MasterCard. American Express is a registered trademark of the American Express Company.