BTN

BUSINESS TRAVEL NEWS

March 20, 2023

TMC REBOOT

Travel management companies look to 2023 to reinvigorate and reinvent. BTN explores how their priorities match travel buyer expectations.

EDITOR'S LETTER

What It Takes to be a TMC in 2023

Travel management companies are reporting significant recovery levels going into 2023—both in transaction volume and in overall revenue. The "megas" that publicly report earnings have notched recovery rates from about 75 percent to 90 percent, and are on pace to manage more business accounts in 2023. Small and midsize companies—sometimes those that have not managed travel before—have become a big focus for an industry in which some larger corporates still lag behind on fully returning to pre-pandemic travel volumes.

With finances on the upswing, TMCs are investing to improve their products, services and technology stacks. BTN contributor Lauren Arena writes about they ways TMCs are investing in new talent—and the ongoing challenges of a tight labor market on page 18. But you'll also read about how TMCs are innovating with technology, not just to fill agent talent gaps but also to drive more strategic, long-term personalization and service goals.

ChatGPT has captured the imagination of some TMC leaders, with ideas about using the open-AI platform to train a new generation of corporate travel counselors. They are also looking at ways to integrate ChatGPT into TMC systems so it might pull traveler profile and corporate policy data and marry that together with supplier offerings, perhaps to assist travel advisors in delivering relevant choices or, eventually, to serve as a level-one travel booking assistant that could disrupt the corporate booking tool market… someday. Mark Frary dives into TMC tech priorities on page 10.

Buyers told BTN those investments can't come soon enough after a 2022 travel restart that was fraught with strains on the system. The strain wasn't just from TMCs. Plenty of travel suppliers, particularly airlines, helped serve up some travel chaos over the summer, fall and winter months. But TMCs are in the unique position of being expected to smooth over the seams of fragmented travel technologies and suppliers—and that proved a high bar in the post-pandemic environment. Executive editor Michael B. Baker weighs service against cost in the request for proposal process on page 20 and analyzes the status of TMC fee model changes on page 23.

Adding to the complexity are New Distribution Capability initiatives that took on fresh urgency in December with announcements from American Airlines about removing significant content from the traditional global distribution channels that serve corporate travel agencies. While most TMC executives see the ultimate benefit better retailing capabilities will bring to the table for airlines and corporate travelers, the tight timeline has focused much TMC energy—along with a good amount of frustration—here just as corporate travel really ramps up. Senior editor Donna M. Airoldi digs into NDC on page 14.

Enjoy this issue,

Editorial Director, BTN Group

BTNGROUP
The BTN Group also publishes:

BUSINESS TRAVEL NEWS EUROPE
TRAVEL PROCUREMENT
THE BEAT

Business Travel News (USPS 0728-870, ISSN 8750-3670) March 20, 2023 Issue 910 Vol. 40, No. 10. Business Travel News is produced in March, May, June, July, September, and November by Northstar Travel Media, LLC, 301 Route 17 North, Rutherford NJ 07070 (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 $205 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. Editorial and advertising offices: 301 Route 17 North, Rutherford NJ 07070. 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 2007, Skokie, IL 60076; by phone at (800) 231-3776; fax at (847) 291-4816; e-mail at btn@omeda.com; or www.businesstravelnews.com/subscribe. POSTMASTER: Send change of address to Business Travel News, P.O. Box 2007, Skokie, IL 60076. Printed in the USA.

SUBSCRIPTION SERVICES
800.231.3776 • btn@omeda.com
Business Travel News
PO Box 2007, Skokie, IL 60076-2007
www.businesstravelnews.com/subscriptions

REPRINTS
Robbie Ray • Wright's Media
northstar@wrightsmedia.com • 877.652.5295

LIST RENTAL
Danielle Zaborski • MeritDirect
dzaborski@meritdirect.com • 914.368.1090

ADVERTISEMENT

SPONSOR WELCOME LETTER

CWT

Dear travel buyers, colleagues and industry partners,

We are in the midst of further social and economic disruption that has wide ranging implications for us all and our industry. As travel and meetings return with considerable pace, we need to rethink the future to meet the changing behaviors in the way we work, our relationship with the planet and how we embrace new technologies.

Travel buyers have a lot to consider as the pace of change accelerates following the huge turmoil we've seen in the past few years. Our 2023 Global Business Travel Forecast showed factors such as rising fuel costs, staff shortages and inflation will provide real challenges for travel managers over the next 12 months.

This scale of change and turbulence brings huge opportunity and requires a new imagination for the future of business travel. We're ready to meet that head on with strong investment in people and technology across key areas including traveler experience, employee well-being, diversity, equity and inclusion, sustainability and risk management.

Delivering solutions for the evolving needs of customers and travelers is the number one priority for CWT. We aren't intimidated by change, we thrive on it.

It's going to be another busy and interesting year and we hope a great one for business travel.

Best wishes for a healthy, happy and successful 2023.

Nick Vournakis
Chief Customer Officer
CWT

BTNGROUP

EXECUTIVE VICE PRESIDENT & GROUP PUBLISHER
LOUIS MAGLIARO • lmagliaro@thebtngroup.com • 973.769.0028

VICE PRESIDENT SALES, BTN GROUP
LINDSAY STRAUB • lstraub@thebtngroup.com • 646.380.6274

BUSINESS DEVELOPMENT DIRECTOR
RICH MARKUS • rmarkus@thebtngroup.com • 301.944.4324

EVENT MANAGER
CLAIRE LAVELLE • clavelle@thebtngroup.com • 646.380.6271

EXECUTIVE DIRECTOR, CONFERENCE CONTENT & STRATEGY
DAVID MEYER • dmeyer@thebtngroup.com • 646.380.6246

EXECUTIVE DIRECTOR, CONTENT SOLUTIONS
MARY ANN MCNULTY • mmcnulty@thebtngroup.com • 630.519.4510

SENIOR DIRECTOR OF CONTENT SOLUTIONS & CONFERENCES
JEN BANKARD • jbankard@thebtngroup.com • 717.460.1091

GROUP DESIGN MANAGER
MARIZA MOREIRA • mmoreira@ntmllc.com • 201.902.1965

MARKETING MANAGER
MAX BZDYK • mbzdyk@thebtngroup.com • 646.346.5676

SENIOR DIGITAL DIRECTOR
ALEXANDRA MANCINI • amancini@thebtngroup.com • 201.902.1984

PRODUCTION MANAGER
MICHELE GARTH • mgarth@ntmllc.com

PRODUCTION SPECIALIST
LISA GONZALES • lgonzales@ntmllc.com

BUSINESS DEVELOPMENT COORDINATOR
KELLY COSTELLO • kcostello@thebtngroup.com

NORTHSTAR TRAVEL GROUP

301 ROUTE 17 NORTH, SUITE 1150 • RUTHERFORD, NJ 07070
WWW.NORTHSTARTRAVELGROUP.COM

CHIEF EXECUTIVE OFFICER
JASON YOUNG

CHIEF FINANCIAL OFFICER
LISA COHEN

PRESIDENT, TRAVEL GROUP
ROBERT G. SULLIVAN

EXECUTIVE VICE PRESIDENT & GROUP PUBLISHER
DAVID BLANSFIELD

EXECUTIVE VICE PRESIDENT & EDITORIAL DIRECTOR
ARNIE WEISSMANN

SENIOR VICE PRESIDENT, HUMAN RESOURCES
JANINE L. BAVOSO

SENIOR VICE PRESIDENT, PRODUCT DEVELOPMENT & PRODUCTION
ROBERTA MULLER

SENIOR VICE PRESIDENT, TECHNOLOGY
ANKEET PATEL

VICE PRESIDENT, DATABASE PRODUCTS
ELIZABETH KOESSER

2023 Brings TMC Recovery & Renewed Role

BY CHRIS DAVIS & ELIZABETH WEST

Travel management companies in the past three years have shown that they can take a punch. The evaporation of corporate travel demand during the Covid-19 pandemic didn't lead to a wave of TMC bankruptcy or dissolution or consolidation, all options that seemed on the table three years ago. In fact, several TMC executives in recent months have noted they see the corporate travel demand accelerating, and some can see a full return to pre-pandemic levels of corporate spending on the horizon.

But returning to 2019 in terms of demand doesn't mean returning to 2019 in terms of structure, responsibility or philosophy. The pandemic changed things, some for good, and one might be the role of the travel management company in the business travel ecosystem. Certainly, TMCs then and now work as fulfillment and consultative partners to corporate clients, but the information they're expected to provide, the tools they're expected to deliver and role they're expected to play all have evolved. TMCs seem willing to play.

BOUNCEBACK IN PROGRESS

BTN in February surveyed 32 travel management companies about their recovery status and outlook for 2023. Among those surveyed, corporate travel represented anywhere from 75 percent to 100 percent of their total turnover in a typical year, with a mean of 87 percent across all TMCs surveyed.

More than half of the TMCs BTN surveyed indicated their clients' business travel sales in the prior six months had at least matched 2019 levels. Among that group, three-quarters said such sales exceed pre-pandemic levels.

Granted, prices are up from 2019. Still, about 39 percent of those surveyed indicated their clients' business travel transactions since August 2022 now match or exceed 2019 levels. Only 13 percent said such transactions are more than 25 percent lower than pre-pandemic levels, and only 6 percent said the same in terms of sales.

DO THE MATH: TMC SALES VS. TRANSACTION RECOVERY

BTN asked travel management companies for the current status of sales recovery and transaction recovery. Here's what they said.

Sales Recovery	Transaction Recovery	
41%	32%	Exceeding 2019 levels
13%	7%	Matching 2019
16%	19%	Down less than 10% from 2019
25%	29%	Down 10% to 25%
6%	13%	Down 26% to 50%

Source: BTN's February 2023 TMC Reboot Survey, 32 travel management company responses

That squares with recent statements from executives at publicly traded TMCs that corporate demand is on the rise.

Corporate Travel Management in its latest earnings report noted "strong momentum" in corporate travel activity since the beginning of the 2023 calendar year and expects full recovery is within sight. The first half of its 2023 fiscal year, which ended Dec. 31, showed total transaction value had more than doubled year over year, reaching $2.9 billion and revenue increased 79 percent in the same period.

Flight Centre likewise reported a "strong recovery" in corporate travel for the first half of its 2023 fiscal year, with corporate travel revenue back to 88 percent of pre-Covid-19 levels and transactions 90 percent recovered. Newly public American Express Global Business Travel reported fourth quarter recovery at 72 percent of 2019—26 percentage points up from the fourth quarter of 2022.

CHANGE IS IN THE AIR

Even in a strong recovery environment, TMCs aren't dealing with clients precisely as they did before the pandemic.

"Customers are not asking TMCs to be anything other than TMCs," said Nick Vournakis, EVP and chief customer officer for mega TMC CWT. "Our reason for existing is the same today as it was pre-pandemic. How you build around the edges from that perspective is absolutely changing."

Corporate clients' priorities in the past few years have shifted, in some cases dramatically, Vournakis said. That shift requires TMCs to alter some approaches to meet those needs.

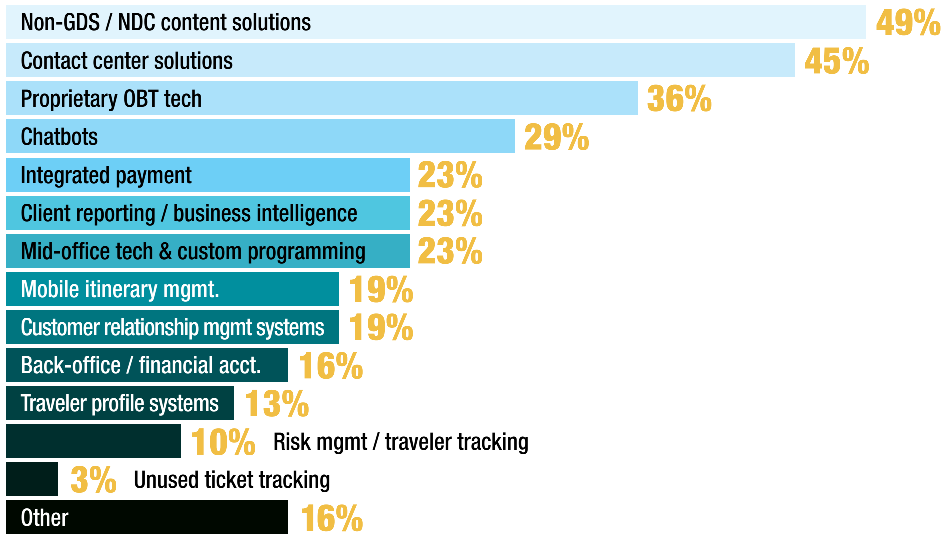
"The relative ranking of priorities is absolutely different today [vs.] 2019. Today, sustainability is at the top of everybody's list," Vournakis said. He noted clients today now look for TMCs' ability not only to deliver information on carbon emissions at the point of sale and evaluate carbon footprints based on travel suppliers used but also to consult on the effect of how sustainable business travel is for employee health and well-being.

Just this month, BCD travel announced a tech integration with TripKicks that overlays carbon emissions into the Concur booking environment. It's a move that

CONTINUED ON PAGE 9

TMCs' 2023 Investment Areas

BTN asked 32 TMCs of varying sizes and specialties where they would focus investments in 2023. They were able to choose their top three. Here's what they said:



Source: BTN's February 2023 TMC Reboot Survey, 32 travel management company responses

TMC NEWS REEL

Select TMC news since Jan. 1. For details on these stories, visit www.businesstravelnews.com.

- **American Express Global Business Travel** has restructuring to a global, segment-driven model, with operations divided between global and multinational customers and small and medium-sized enterprises.
- A group of six travel management companies—American Express Global Business Travel, BCD Travel, Corporate Travel Management, CWT, Direct Travel and Internova Travel—formed the **Travel Management Coalition** last month and sent letters to U.S. House and Senate committees requesting that Congress

CONTINUED ON PAGE 9

What's Inside

METHODOLOGY

Business Travel News fielded the 2023 TMC Reboot surveys from Feb. 2-27 on the SurveyMonkey platform. For the survey of travel buyers, BTN via email solicited responses from subscribers to BTN, BTN Europe and BTN's newsletters. A total of 176 qualified respondents answered the survey. For the survey of travel management company executives, BTN editors identified relevant parties and invited them to complete the survey. A total of 32 qualified respondents answered that survey. For both surveys, not every respondent answered every survey question. BTN editors used the SurveyMonkey platform to collect and analyze results. In the charts in this issue, not all figures add up to 100 due to rounding.

BTN SOUND OFF:

CAN TMCs LEVERAGE CHATGPT?

In the short time since it became one of the topics of the moment, ChatGPT has been busy. People have used it to pen poetry, write e-books and do their homework. What do you think about its potential to disrupt the TMC sector?

"With the complexity of fare filing and all the personal preferences on trips, I think it is hard to replace a human. Travel transactions are not a standardized commodity. I can see AI working for managing simple trips, but don't underestimate the edge the agents have. TMCs provide more than just booking."

- Benjamin Park, Sr. Director of Procurement & Travel, Parexel Int'l

"Our challenge is always how do we separate hype—such as that surrounding crypto and blockchain—from viable and enduring use cases."

- David Bishop, COO, Gray Dawes Group

"Without access to personalized data about the user, ChatGPT (or other AI for that matter) can't recommend anything actually personalized—meaning that everyone gets offered the same results. …In travel this is crucial, as most good travel agents know their top clients personally."

- Simon Goddard, CIO, Vibe

"Help travel managers in finding the best travel options based on their company's travel policies and preferences. Help travel managers plan and organize trips by providing suggestions for flights, hotels, and transportation. Provide real-time assistance to travel managers during the course of the trip and, if there are any changes in the itinerary or unexpected events, ChatGPT can help find alternative solutions. Help travel managers analyze the costs of business travel and identify areas where cost savings can be made. Help travel managers ensure that their travel policies are being followed and monitor compliance with travel-related regulations and guidelines."

- ChatGPT (as prompted by BTN contributor Mark Frary)

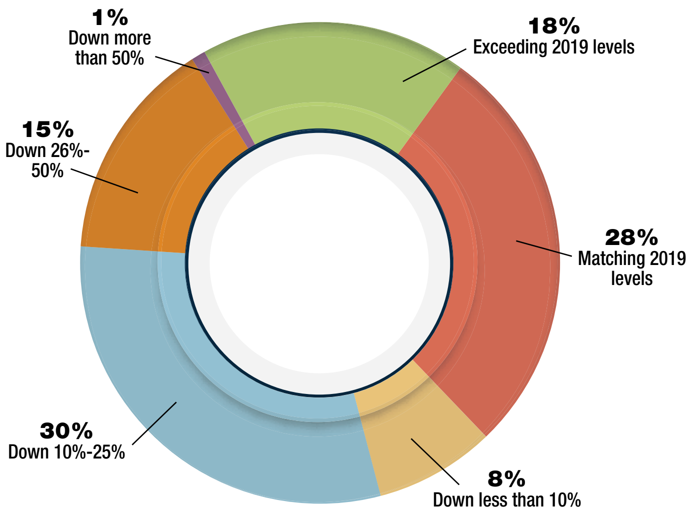
Buyers Spotlight TMC Relations

BY CHRIS DAVIS

Travel managers today generally work for organizations that are recovering to at least three-quarters of 2019 business travel volume and have agreements with their primary travel management companies based on transaction fees. They also would like to see additional TMC investment in their contact center capabilities and aren't exactly blown away by their TMCs' responsiveness. At least that's according to a BTN poll of 176 travel and procurement managers in the United States and Europe, taken in February 2023.

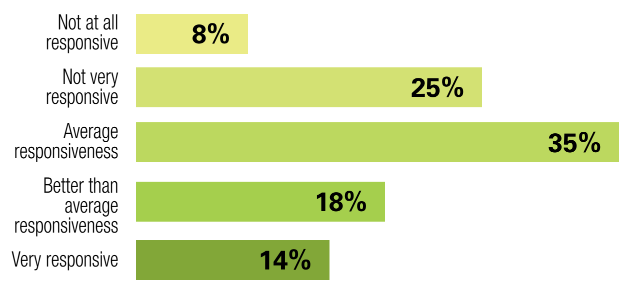
Corp. Travel Spending Recovery Continues

Projected 2023 business travel spending vs. 2019



Buyers: Responsiveness Needs Work

On an ascending scale of 1 to 5, ratings of primary TMC responsiveness in prior six months



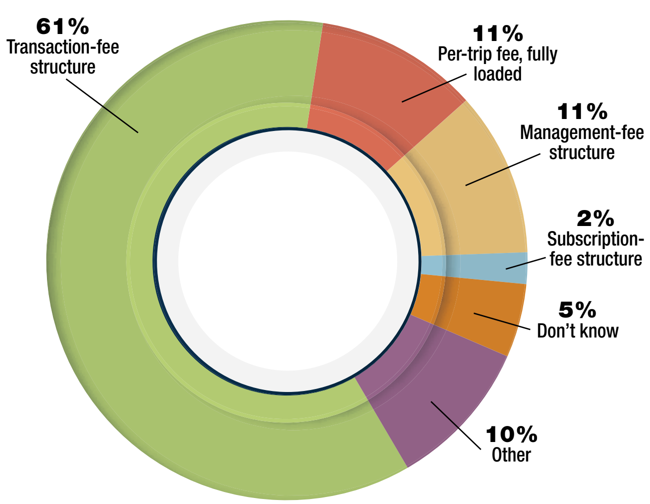
Most TMC Sourcing Rounds Predate Covid

Most recent sourcing/RFP exercise for primary TMC

2019 or earlier	51%
2020	7%
2021	9%
2022	9%
Currently in progress	17%
Other	5%

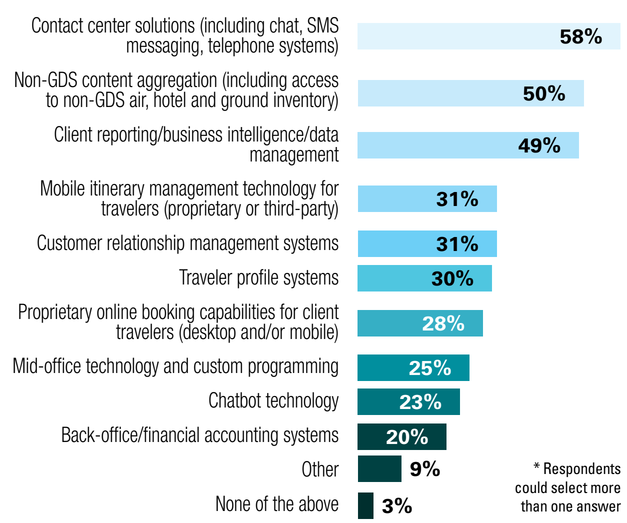
Transaction Fees Still Dominate

Configuration of respondents' primary TMC



Buyers Seek Tech Investment

Respondents' desired investment areas for primary TMC*



* Respondents could select more than one answer

CONTINUED FROM PAGES 6 & 7

add an agency representative to a Department of Transportation committee on aviation consumer protection. The group wants agency input on two DOT rulemaking proposals: on ancillary fees and on airline refunds from which they want to be exempt.

- One year after **Hess Corporate Travel merged with Maupin Travel**, the travel agencies have rebranded and will serve corporate and leisure customers under the name **Sequel Travel**.
- U.K.-based business process outsourcing company **Capita** is targeting the anticipated sale of its remaining non-core businesses, including travel management company Agiito, by the midpoint of the year, according to CFO Tim Weller during the company's full-year earnings presentation.
- **Gray Dawes Travel** launched operations in North America following the announcement of two key appointments—and hinted an acquisition in North America is imminent. The move follows Gray Dawes' recent entry into the Australian market with the acquisition of local travel management company MP Travel.
- TripActions rebranded to **Navan** in February. It launched a new all-in-one travel and expense app. It also has opened up its onboarding so that anyone can create and account for their company by using an email domain.
- **Reed & Mackay** is integrating carbon emissions data from Squake into its booking, policy and approval tools.

shows a TMC taking more control over their clients' experience within a booking tool not developed by the TMC, but getting enhanced by the reseller. CTM announced in late February new traveler-oriented analytics that keeps a recent history of overnight and weekend flights, time zone changes and other factors to score travelers on a scale of 1 to 100 and help them mitigate employee burnout.

Such trends were percolating quietly prior to the pandemic but had not yet hit a conversion point. Agiito (at the time, Capita Travel) introduced a similar traveler well-being tracker in 2017, but it failed to get traction. Emissions reporting similarly was sputtering along prior to the pandemic but awareness of travel's impact on the environment now seems ubiquitous.

For TMCs, these new priorities bring new considerations. For example, how can they help companies analyze the nature of business travel and whether some travel can be avoided? The explosion of virtual conferencing in recent years has put that proposition front and center. Is facilitating a non-travel option really in a TMCs best interest? Is there a transaction fee attached to that? Probably not. Yet it may be serving the best interests of the client, so what value does the industry place on travel avoidance? These are questions many TMCs will need to answer.

PROVISIONING TRAVEL PROGRAMS

Along with these answers may come new capabilities. Vournakis cited the rapidly changing offerings in corporate travel technology as key to the TMC's aim, adding that "the ability to offer choice is core to our value proposition and part of our investment strategy."

To that end, TMCs are working hard to provision new processes and technologies required to book and service New Distribution Capability airline content. They are working with clients on omni-channel strategies and finding partners to help them report off-channel bookings. And while most of the time the TMC still represents that trusted core partner to their corporate clients, in some ways they are being asked to re-orient their position within the travel ecosystem.

With that potentially comes new ideas about technology integrations, yes, but also new fee structures with clients and potentially new commercial structures with industry players as well.

Plus, looming over any discussion of the role of the TMC in 2023 is the development of OpenAI's ChatGPT artificial intelligence platform, which shows promise as a conversational intelligence-gatherer. Could it redefine the TMC value proposition?

"We're about to hit the Wild West with the OpenAI," Executive Travel founder and chairman Steve Glenn told BTN, "so you better get on your saddle and get lynched up tight, because it's just going to be a fun ride from here on out."

But before we 'cowboy up' for a tech-dominated future, Festive Road's Lora Ellis offers some advice to TMCs and their clients.

"It may not be the TMC itself that's so different after the pandemic. I think it's the travel program that's different. We're still figuring out what travel programs will look like and how they will function—with so much remote work and other new dynamics. All that is still evolving," she said. "My advice to TMCs is to listen. Listen to what the corporate is trying to achieve because it may not be a standard offering or an off-the-shelf standard technology. You may be able to make something better together by collaborating. And it may be a digital solution, but it may not be. TMCs are still about service, and it's not all technology. That's it. Listen to what the client is trying to achieve because that will drive change and innovation."

TMCs EAGER TO FLEX TECH IN 2023

BY MARK FRARY & ELIZABETH WEST

Good news: Nearly 84 percent of travel management companies told BTN they now are sufficiently staffed to meet corporate client needs. Bad news: Nearly 58 percent of travel managers told BTN that contact center technology like SMS messaging and chat remain the most vital area in which TMCs need to invest, suggesting that being able to contact agents and consultants continues to be a challenge.

Good news? More than half of agencies responding to BTN's survey indicated these areas have received intensive investment over the past 12 months. Forty-five percent said contact center investments would continue as a top priority over the next 12 months.

MAKING CONTACT

Michelle Amos, travel program manager at Smartsheet, wants more technology to help agents and consultants support her travelers. She believes this could take the form of AI tools that help an agent find answers for travelers more quickly. It could also be used by travelers to provide the agent with better information in advance of a call.

Gant Travel CEO Patrick Linnihan said the same. In pursuit of that goal, Gant is looking at how policy systems, more detailed traveler profiles and more sophisticated customer relationship management technology can join with machine learning to provide the traveler a better experience in the contact center environment.

"We are making policy, profiles and an individual's past travel data all machine readable," said Linnihan, adding that while consumers already may have this kind of automation available in banking or other customer service environments, travel's fragmented systems have made it difficult to pull the pieces together into a cohesive system for servicing. That's changing with better machine learning, and these changes are working to provide better service for all types of travelers.

"Thirty-six months ago we could not monitor every single interaction through our contact center," said Linnihan. "Now we can. And this is one of those practical examples of how AI is going to change the world."

German biotech company Parexel International senior director of procurement and travel Benjamin Park voiced frustration at the lack of automation in travel, compared to other service environments. "TMCs have the benefit of having so much data about the traveler, not just their core profile—all their trips, their behaviors, etc.—but they don't use that data to display a trip that shows they know the traveler." Linnihan agreed, and said more agencies are working to do just that, and not just with travelers who are on the road constantly.

Indeed, infrequent travelers, he said, can pose challenges to agency service because their travel habits and needs are less well-known. Yet, post-pandemic infrequent travelers have returned—and agencies are starting to get their systems around how to look at them differently.

With the ability to monitor interactions and organize them into which ones apply to different types of travelers, agency systems in 2023 should be better equipped to build service pathways that respond to the needs of specific traveler types.

"This has been a big shift over the last five years … to identify the traveler by their attributes and then direct them into the contact center for appropriate car, depending on their persona," said Linnihan. "With AI monitoring every transaction, we now have the data to build the right insights and we can use that to change our systems."

NDC IMPACT: MORE RESOURCES NEEDED

AI-augmented agency assistance can't come fast enough given the increasingly complex travel environment that promises to become even more challenging in the coming months, with demands for non-GDS content aggregation climbing quickly to the top of the priority list for agencies in 2023.

Over the past 12 months, contact center tech was the most-cited investment among TMCs BTN surveyed. That said, American Airlines' announcement that it would on April 1 withhold a portion of airfares from traditional channels quickly changed the picture for many TMCs.

"It was a giant ripple in the pond," according to Linnihan. "AA said, 'I don't know what your plans were for '23, but you'll have to be ready at the end of the first quarter for our [New Distribution Capability].' This touches nearly every segment of the company—booking, mid-office, back office, training the agents, new tools—so it went from not really on our top five priorities to the No. 1 project because the fuse was lit by the idea of not having certain fares on April 1."

Linnihan is a supporter of NDC and believes it is urgent for airlines, agencies and customers to move toward a more sophisticated retailing environment. "While I have concerns about how the timeline has been managed, I believe this change to the distribution model is warranted and appropriate," he wrote to BTN in an email.

Other agencies are taking a wait-and-see approach. Over the next 12 months, less than half of agencies BTN surveyed planned to plowing investments into NDC-based tech changes. Yet it's still the most common TMC focus this year, likely because the longer-term impact of not being ready for NDC not only threatens access to critical content but also would mean throwing more dollars at manual, human interventions for both booking and servicing.

According to a number of TMC executives, the short-term impact of NDC will be additional costs, including more staff to handle manual interventions until the tech and automations are truly in place to handle NDC at scale. (For more on NDC readiness, see page 14.)

DATA DIRECTION

"Data is the only thing travel managers can use to strategically view their programs," said Amos. "These tools need to identify cost optimization as well as savings, determine the effectiveness of the travel policy, provide sustainability metrics, highlight the performance of supplier contracts and additional areas of negotiation, and indicate the potential for incorporating new vendors or new technologies into the program."

Right now, Amos said, she can download raw data and spend a long time analyzing the numbers, but she wonders why her TMC isn't doing more with analytics that matter.

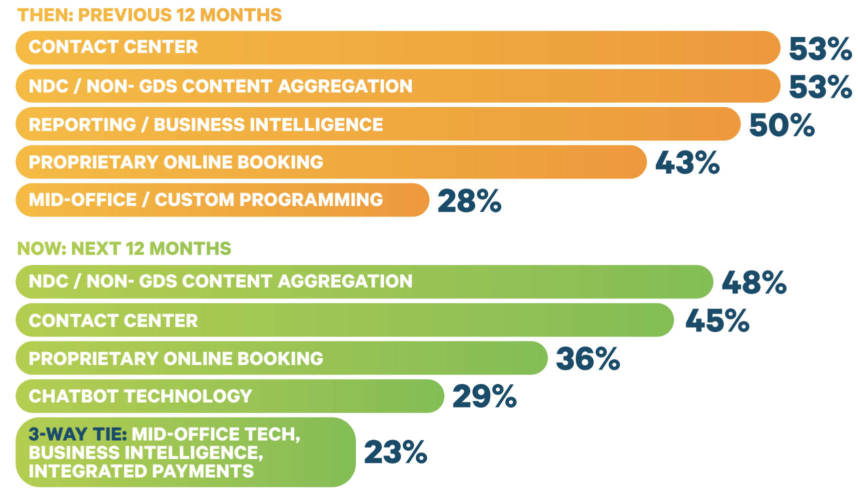
"Why aren't TMCs leveraging AI to do these things?" she posed. Plus, since we are in the era of machine learning, Amos sees the possibility for enhancements. "I want a tool that doesn't just tell me the history but also projects the future with recommendations for policy optimization," that anticipate changing market dynamics, she said.

Half of the TMCs BTN surveyed were investing in data tools to match buyers' demands for more strategic reporting—not just metrics. CWT, for one, said a focus of its recent $90 million equity raise would be better data insights for travel managers.

This, said Festive Road principal Lora Ellis, goes to the heart of what most companies really look for from their TMCs—strategic partnership.

"Buyers want a consultative approach where the TMC really is a partner in building a business plan together, in building an innovation roadmap or a sustainability plan," Ellis said. Reporting should show the way to achieving those kinds of objectives, so improved intelligence tools enhance the value proposition of a consultative partner.

THEN & NOW: TOP 5 TMC TECH INVESTMENTS



Source: BTN's February 2023 TMC Reboot Survey, 32 travel management company respondents

BOOK IT, BABY

The most visible piece of TMC technology seen by most travelers is the online booking tool. Yet more often than not, it isn't developed by the TMC.

"TMCs effectively use the same few leading global OBTs. If I switch travel agencies but keep the same OBT, my travelers might not even know we have made the change," said Parexel's Park. "That means," he continued, "that in a mature business travel program … [where] 60 to 80 percent of transactions go through the booking tool... [it's an] experience where the TMC has very little influence. TMCs need to invest in their own online booking tools to get control, or they need to find ways to better manage the experience in the OBT."

Some TMCs are clearly aware that booking technologies are in play—perhaps in ways they haven't been for a long time. With enhancements required to accommodate NDC, sustainability decisions, remote conferencing options and potentially trip justification integration, booking tools that can provide them may get pluses in requests for proposals, and that doesn't even consider the push for a better user experience.

One need only look to Navan (formerly TripActions) for the appeal of a consumer-grade booking experience. A number of Navan clients speaking with BTN on background held up its traveler interface as the primary reason for signing with the provider. There are a number of examples of agencies investing in booking: Flight Centre Travel Group purchased WhereTo in 2020 and leveraged it for a booking tool within its Melon platform in 2021. American Express Global Business Travel offers its Neo platform alongside the Egencia platform it purchased in 2021, which leads with the OBT proposition. CTM owns Lightning.

But all these are big companies.

"Investment for most TMCs to run and maintain their own global OBT is too heavy a financial lift," said Park. "They are stuck with existing OBTs, but they need to find better ways to collaborate [and] own the experience of the traveler better."

While that may be true, smaller TMCs are in the booking game. AmTrav led with a booking tool years ago and has continued to roll out enhancements to accommodate NDC and candidate travel booking tools. ATG Travel, another example, flipped the switch on machine learning-powered Baldwin in late 2021.

But buyers want more than booking tools; they want them on mobile devices and to include all the available content—or at least they want to know all that content is working behind the scenes. Again, we see the need for Big Data strategies and AI to sort out travel's complexities.

"Booking air on a mobile app is quite tricky as the screen real estate is small and the content is large," said Gray Dawes Group COO David Bishop. "A typical New York-London Heathrow search can throw up 1,000-plus permutations. Having an intelligent way or algorithm to filter and present the content is a real must."

Amos wants more contextual awareness for the traveler: If a traveler tries to book two trips to Chicago within a week of each other, "the OBT should be able to suggest combining the two," she said. She also said there is an opportunity to integrate real-time trip justification metrics to determine the "go/no-go" status of a business trip.

"I would hope genuinely that TMCs are focusing on tech that can enhance margins by increasing revenue or reducing cost whilst also delivering a better TMC experience to their clients."

— GRAY DAWES' DAVID BISHOP

TIME TO BUILD FROM THE GROUND UP?

Park said that despite what TMCs say and the results of BTN's survey, TMC tech is fundamentally "broken." This hearkens back to Linnihan's observation of how fragmented the travel tech stack has become, and the efforts around contact center and customer-centric systems coming together with new technologies that can stitch them altogether. That said, some think more drastic measures are needed to position the TMC tech stack for the future.

"They need to change the backbone, the part that is the most invisible to the traveler—the mid-office and the back office," Park said. "Nobody is touching the foundations of their technology and it is preventing innovation." Or, are they?

Spotnana is a tech-first TMC that has gained $100 million in funding from business travel intelligencia like Concur founder Steve Singh, who has called the Spotnana concept "business travel 3.0." The company has built a platform on an open API structure, with a focus on one global instance of the technology with real-time reporting and a content source-agnostic philosophy, where GDS content integrates on an even field with non-GDS content. Spotnana is selling this TMC tech infrastructure to others as well.

One TMC putting this tech its core is Solutions Travel, a new venture headed by Mark Walton, who said the platform would deliver "a strong service orientation, real-time data, direct content sources, and other integrated components." Solutions will white-label the Spotnana platform and integrate it with other systems via open APIs over time, as client needs dictate.

"People are coming into businesses now who are tech-savvy individuals. They have grown up with technology and they have a certain expectation," said Walton. "But [corporate travel] has been based on very old architecture and these new folks in the industry, unless they're getting what they believe is a consumer-grade experience, they're going to shy away from it."

Festive Road's Ellis said more companies—generally larger ones—are looking at the option of BYO or "Bring Your Own" technology strategies that would include a TMC at the core of the ecosystem. She's intrigued by Spotnana's philosophy and by its products, which include a booking tool and all the TMC mid-office and back-office tech as well. Until now, BYO has been more theoretical, but having looked at Spotnana, she said, "I think more companies might consider BYO as a possibility—or some version of it."

Whether buyers look at their TMC as part of a program ecosystem or as that central travel program partner, the technology the TMC delivers will only become more critical in 2023.

Bishop believes TMCs have an appetite for increased investment in technology now that they have returned to profitability. That said, they may still be cautious.

"A lot [of TMCs] are still running on slim staff. While they may have money to invest, tech implementations take time and pull focus from the day job," he said. "I would hope genuinely that TMCs are focusing on tech that can enhance margins by increasing revenue or reducing cost whilst also delivering a better TMC experience to their clients."

WHAT DOES BEING NDC-READY MEAN?

BY DONNA M. AIROLDI

When American Airlines in December issued its line-in-the-sand announcement that third-party distribution channels needed to be "NDC-ready" by April 2023 or else lose access to up to 40 percent of the carrier's content in EDIFACT, the business travel industry was jolted.

Most TMC execs acknowledged the benefit of NDC and how it would modernize the traveler's shopping experience. And was anyone really surprised that a major U.S. airline decided to push forward with NDC? The International Air Transport Association introduced the standard in 2012. Yet by 2022, only a small fraction of carriers in the world had NDC distribution available. The feeling was that it would be scalable … someday.

That day appears to have arrived as American has not backed down from its April deadline.

Many sources BTN spoke with for this article acknowledged that despite misgivings, they would be ready come April for American's NDC content. A few were eager for it.

"We were very positive when the announcement came out and were good to go in December," said Johnny Thorsen,VP of strategy and partnerships for Spotnana, a tech-first TMC that was built from the ground up with direct connects and NDC in mind. "Since our September launch [with American], we have improved and further enhanced our capabilities, so we already have a few examples of features built with American not even included in their general announcement for April."

BTN's TMC Reboot survey showed only about 31 percent of responding TMCs are fully prepared to support increased buyer demand for and airline requirements for NDC content. Another 44 percent would be ready at some point in 2023. Still, one in four said it would take longer to be NDC-ready.

WHAT DOES NDC-READY MEAN?

"The fact that it's taken 11 years to get here and it's still contentious fundamentally shows there are lots of different objectives by different stakeholders in the ecosystem," Festive Road managing partner Paul Tilstone said.

Some TMCs are excited by the prospect of a changed distribution landscape, but some see threats to the agency business model, which has long relied on volume awards from GDS providers that incentivize bookings through those systems. Diverting bookings from the GDS—which is an expensive channel for airlines and not always able to convey a carrier's unique content—presents a commercial issue for many TMCs. So the first thing to understand, said Tilstone, is the TMC mindset.

The second is understanding the rationale of the airlines, e.g., distribution cost savings. Third, with NDC, "airlines have an opportunity to take more control of knowing who the customer is and who wants an offer," said Tilstone, because NDC inquiries are designed to ping the airline's proprietary systems and not a third-party fare-filing system.

American VP of global sales Thomas Rajan offers AA's point of view with an example of a theoretical $150 fare offered via EDIFACT. "Tomorrow that fare looks very different in the NDC channel because of the attributes I get to display to the customer … be it seats, or boarding, Wi-Fi, even sustainability," he said. If a corporate traveler or loyalty member and already gets those benefits, they won't need to pay for them and get reimbursed after the trip. "The ability to see all those things now becomes a benefit."

READY … BUT NOT PERFECT

An agency's NDC-readiness starts with content, said Airlines Reporting Corp. CEO Lauri Reishus.

How agencies get the content will vary. Some will want it through a global distribution system. Some will have a direct connect to the airline, or they may have a platform that has GDS content available, with NDC direct content coming from an airline, Reishus said. There also are online booking tools that have to either be fed through the airline or however that OBT gets its data, which is often a GDS connection, as well as aggregators like Travelfusion, TPConnects or ARC Direct Connect.

"This work has been underway for a number of years," said Reishus. "While there is a flurry of activity going on right now, from what we are seeing, people will be ready. Will it be perfect? Probably not. But agents are really good with changes and adapting processes and insisting that ecosystem providers—whether it's their GDS or mid-office system or back-office system—can adapt to the changes."

Amadeus currently has 17 airlines with NDC content, including American which launched last year. The company is working with agency partners to ensure they are ready, Amadeus senior director of global solution consulting Jay Richmond told BTN. He concurrently expressed that many agencies would have more work to do in terms of servicing and settlement.

Travelport CEO Greg Webb confirmed with Travel Weekly earlier this month that Travelport Plus has been fully integrated with AA's NDC content since the second quarter of 2022. "AA's been a very supportive partner," Webb told TW. He didn't address any down-the-line requirements TMCs might need to grapple with.

Sabre started an NDC pilot with American last year and expanded it in January after the carrier's announcement. "We have been working for quite some time to support American Airlines and [will be] ready to enable this important content," said Sabre VP for product management and channel delivery Kathy Morgan, but like Richmond she had reservations about down-the-line processes.

American Express Global Business Travel is part of the Sabre pilot and also is working with Amadeus and Travelport on NDC. Amex GBT VP of strategic sourcing and content strategy John Bukowski looks at three core questions when it comes to how the company will work with airlines on NDC: What impact will it have on improving the traveler experience? Is NDC going to result in program savings for corporate customers? Can it improve the way the company supports and services travelers?

At the time Bukowski spoke with BTN, the answers to all three questions as they related to American's NDC offering were uncertain. What American's enhanced content would entail was not 100 percent clear, and he wasn't sure if the widely discussed "40 percent" was just for corporate or was across leisure and corporate. If the content pulled from EDIFACT is more than just basic economy fares, "then customers may have an impact," he said. Program savings also still were to be determined, and the servicing side remained to be worked out.

"We need to make sure it's coming through the right channels so travelers can shop and compare different offers from different airlines," Bukowski said. "We also need to make sure the technology is working within the service element."

Morgan agreed that the biggest hurdles are around downline integration and servicing. "We feel good about the upfront work, the ability to shop, book and pay," she said. "But where we see some challenges is the right information hitting the back-office system, the mid-office solutions. A lot of these historical solutions work off [passenger name record] data and need to be read off order data."

Raymond added that Amadeus offers an end-to-end solution for the airlines, but not every company solves the problems the same way. "It's fair to say some TMCs are at different stages thinking about that operational change."

SHORT LEAD-TIME

"The deadline is coming quickly, and it's pretty clear that most of the value chain isn't ready today, and I don't see that it's going to change significantly between now and early April," said Microsoft senior manager of global air and ground programs Diane Lundeen Smith in early March. "It's poised to put a strain on corporate programs."

There are online tool considerations, agents and sales training, Gant Travel CEO Patrick Linnihan said. TMCs must make sure the back-office is ready and that they can access all these fares. "It touches nearly every single section of the company," he said, while emphasizing that he's supportive of NDC and believes in the value it can deliver, but the timeline has presented a heavy lift. "For most TMCs," he wagered, "It's not going to happen. I know TMCs that aren't even planning for it to happen."

"We're going to let the chips fall and then see, because I think American can't execute this," said Executive Travel chairman and CEO Steve Glenn. He's additionally banking on the targeted fares—identified by American as the "value" category—having little effect on his TMC or the TMC world at all. "We have zero customers in the low-fare bucket," he said.

But AA's Rajan told BTN that the 40 percent of content no longer in EDIFACT wouldn't be just the cheapest fares. There also would be "fares today that corporates book that fall as part of that value category that will now be only NDC-enabled."

That said, Rajan stressed that NDC-readiness is not binary. "For something as critical as this, we should not view it as either you are ready or not," he said, adding that American had TMCs reach out with a list of about 161 servicing elements asking if the carrier could do those things with NDC. "When we looked at those items, 98 percent of them could be addressed with the NDC capability we had in the fall. That testifies to the fact we were more than ready for this discussion."

And while AA's gambit has forced a strategy change for some TMCs, he said, "They will be in some form of readiness in April, [and] … our survey across the spectrum shows that most if not all will have a significant level of readiness if not 100 percent by the third quarter or the beginning of the fourth quarter this year. Which is remarkable."

Rajan characterized April as "but one milestone on this journey" and confirmed AA's path "is for 100 percent of our content to be channeled through NDC-enabled channels, because the value proposition is just too high for the customer for us to ignore that."

> *"One of the biggest issues we have is credibility, making sure that our travelers feel like they can come through our channel and find what they need."*
>
> **– MICROSOFT'S DIANE LUNDEEN SMITH**

PREPARING FOR IMPACT

CWT earlier this month outlined in a memo obtained by BTN portfolio mate The Beat numerous avenues to access and book NDC content, and the tradeoffs associated with each.

"The OBTs are not ready for this," CWT SVP of global supply chain partners Vince Chirico told BTN. "The vast majority of distribution will be offline. If you look at the whole picture and break it down online and offline … the industry is still not ready to transact in a non-EDIFACT pipe as efficiently as it transacts in an EDIFACT pipe."

Indeed, online booking giant Concur acknowledged in February that its GDS NDC connections might not be active by April. It is largely relying on Travelfusion content to pipe in AA NDC content.

The CWT memo summarized the tradeoffs that channel would present to clients: "They include the inability to hold bookings before purchase, to mix carriers, to make changes online and to apply unused ticket credits," according to The Beat.

Gant's Linnihan said he is putting additional agents in place to fill gaps in a booking and service environment that may largely have to move offline for the short term as technology modifications and training continue. "That will be our biggest cost," he said. Surcharges for NDC bookings are definitely part of the industry conversation.

CWT outlined a number of other options for clients, including a shift to Concur's TripLink to enable direct bookings on AA or a shift to offline bookings with Sabre's NDC connections, the latter of which brings more costly human servicing into the picture. For corporates that choose to continue to transact in the GDS path, CWT acknowledged there would be content and fare discrepancies—and potentially a lot of explaining to do to travelers. That's what may worry buyers the most.

"One of the biggest issues we have is credibility, making sure that our travelers feel like they can come through our channel and find what they need," Lundeen Smith said. "What concerns me most is that we could see a significant reduction in content that will be very apparent to the user."

Lundeen Smith added that she believes the switch to NDC eventually will pay off. "Down the road it will be enhancements … [with] recognizing somebody's frequent flyer status in the booking process and understanding what that could bring them and how they might purchase differently knowing those benefits," she said.

Additional reporting by Elizabeth West and Michael B. Baker.

TMCs STAFF UP

BY LAUREN ARENA

Staff shortages have dogged the travel industry ever since last summer's faster-than-expected return to skies. Critical understaffing at travel management companies, in particular, resulted in unanswered traveler inquiries and corporate travel managers buckling under internal pressure as service levels suffered. While some gaps have been plugged, challenges persist.

One global travel manager told BTN last month that their TMC is "still underperforming" in a number of markets due to the absence of experienced staff. They said newcomers often struggle to keep up with volumes, which is having a "knock-on effect globally." This is not an isolated example.

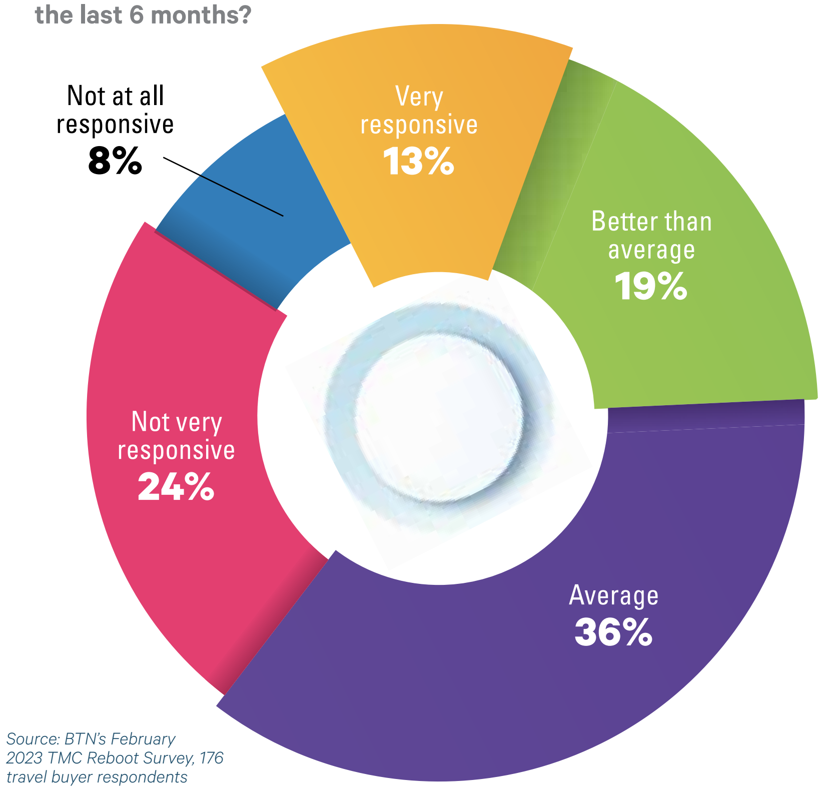
CRITICAL COURSE CORRECTIONS

BTN's 2023 TMC Reboot survey showed buyers were concerned about service quality, online support and account management due to lack of skilled consultants and account managers.

Many suggested better training for agents, while one buyer said "improved customer service, politeness and professionalism" is needed. Greater technology integration and improved data management were also highlighted as areas of concern, but, essentially, what buyers want from TMCs is better service.

ONLY ONE-THIRD OF TRAVEL BUYERS SATISFIED WITH TMC RESPONSIVENESS

How responsive to your organization's needs has your TMC been in the last 6 months?



Source: BTN's February 2023 TMC Reboot Survey, 176 travel buyer respondents

The aforementioned global travel manager said overall service from their company's TMC partner is "improving but still challenging" and described the current situation as "frustrating." They said, "Delays have led to pricing increases, lack of availability and lack of confidence with the travel management companies. It is very easy to lose confidence in such a highly emotive area [like business travel], where people's preferences mean a lot."

LivaNova global travel and events manager Elisabetta Gibertoni has seen the same. Despite having a high online booking adoption among the medical device company's traveling employees, the shortage of TMC personnel "has made itself felt" for travelers in the current complex environment. So much so, she's ready to hold her TMC to account.

Gibertoni would like to see in her next TMC agreement "more detail on the achievement of service-level agreements with penalties for non-achievement, supported by clear and reliable reporting." She also wants "greater attention" paid to traveler inquiries.

GETTING & KEEPING AGENCY PERSONNEL

Achieving those staffing and proficiency levels may take TMCs more time. In a January poll conducted by the Global Business Travel Association, 46 percent of travel supplier and TMC respondents said their company's staff size is smaller now than it was before the pandemic.

But nearly two-thirds of suppliers and TMC respondents to the GBTA survey expected staffing will increase "a lot" or "somewhat" in 2023 compared to 2022. Slightly more than a quarter of these respondents, however, expected no change—and it's not for lack of trying.

"The talent pool is very thin out there," said BCD Travel CEO John Snyder at The Beat Live in December. According to a recent report in The Beat, the TMC added 4,500 employees in

2022 and in December the company still had more than 1,000 openings, largely on the frontline.

The likes of American Express Global Business Travel, BCD and CWT, Snyder said, were all "fighting for the same people," which also could mean smaller agencies are getting shut out of the competition.

The talent war is so stiff—and slow-moving—that even big players like BCD have to get more creative, said Snyder. "We're going to try to stop that game and quit trying to fight for the same people, and we're going to bring new talented people into the system."

Spain-based TravelPerk has gotten creative with its recruitment, according to chief people officer Sally Sourbron. "The company culture and our commitment to its values have been a strong pull," she said. "We've also partnered with organizations such as Code First Girls [in the U.K.] and allWomen [Spain] to attract a diverse talent pool."

The tech-first agency that focuses on small- and midsize accounts reported a 71 percent increase in employee headcount in 2022, a trend that Sourbron said has continued over the last six months. But just getting the people in the door doesn't mean they can handle traveler needs right away. Indeed, among TMCs that responded to BTN's TMC Reboot survey, finding qualified candidates was a major hurdle to hiring staff. But the prospect of training new hires with little travel experience also seemed daunting—and expensive.

TravelPerk is biting the bullet. The TMC flies newcomers to its HQ in Barcelona for "an intensive onboarding session," said Sourbron. "We [also] set them up with a 'buddy' to help them through anything that is not covered during the onboarding sessions."

As training and development continue, however, TMCs are confronted with the challenge of strategically deploying experienced resources to ensure the most complex issues can be addressed efficiently. That's a high bar to clear in an environment where post-pandemic complexity and greater manual intervention is ruling the day, according to ATG Travel CEO Tammy Krings.

"We've also partnered with organizations such as Code First Girls and allWomen to attract a diverse talent pool."

—TRAVELPERK'S SALLY SOURBRON

"Clients are expecting [us] to be their trusted advisor more than ever before," Krings said.

"Like other TMCs, we are experiencing a higher level of phone calls per transaction by an average of three times higher than pre-pandemic, and call duration is four times longer. In addition, travelers are calling agents to confirm online booking options are correct. All these elements have a significant impact on our staffing requirements," she said.

As post-Covid travel ramped up last year, EY global head of travel, meetings and events Karen Hutchings saw similar patterns even among her company's experienced travelers. "We recognized that calls to the agency were taking longer and people were more nervous about travel," she said. But rather than relying on the TMC to bulk up staffing, which was clearly challenging, EY took a more novel approach.

"We built our own service team to deal with traveler queries," said Hutchings. "It was easier for us to hire people than it was for our TMC—and it's still easier for us to hire people."

The nine-person team handles non-booking-related inquiries from 15 countries in Europe and Asia, with plans to extend into the U.S. "Whenever someone calls travel services it's our team that answers. The call gets triaged by us and punched back to the agency if they want to make a reservation," said Hutchings.

PUTTING PEOPLE FIRST

Since few companies have the travel volume to justify a similar internal structure to EY, they will continue to look to TMCs to provide those critical services. So what are TMCs doing to make agency positions more attractive to potential candidates?

"Working on corporate sales at airlines, I met with agents every week," said Neil Woodliffe, who started his career on the supplier side, but is now the global travel manager for business analytics company Clarivate. "Our top teams networked with agents, and [the airlines] would take them on fam trips. I know budgets are tight now, but what this did was actually create a knowledgeable culture and the agents loved their jobs. Agents were never paid that well, but it was the perks that made the job worthwhile—and they loved it. They were passionate and delivered exceptional quality of service to the client."

Today, Woodliffe said, agents, account managers and other TMC roles need better motivations and rewards to recapture that passion, and that comes from more than meeting strict service-level agreements.

To that end, TMCs—like many employers in current labor market—are remodeling job and pay structures, benefit packages, the physical work environment and how flexible their agencies can be when it comes to home-based and hybrid work.

Flight Centre Travel Group president for the Americas Charlene Leiss said the company had re-examined its wage model and formulated new incentive structures based on customer success metrics. "We believe what gets incentivized gets done," she said. Leiss added that the company has increased employee benefits by about 30 percent over the past three years in an effort to make travel agency positions that much more competitive in the marketplace.

FCTG also will open new "communal" office space in New York City in April, as the TMC approaches pre-pandemic staffing levels. Not everyone will work onsite, and the company is providing more balance with flexible work models.

Krings said ATG has always worked to support balance for frontline agents, but now the company is doing more. "After the pandemic, ATG adopted a hybrid work environment in which staff members can work with their immediate leadership to decide their level of 'in office' and 'at home' work, balancing … company needs and the needs of our employees," she said.

That new flexibility and a "history of offering higher-than-market wages" has helped to retain talent, she said. And while salary increases "have had an impact," according to Krings, they are the price of doing business in travel today.

MAN VERSUS MACHINE

As well as investing in people, TMCs reported to BTN an uptick in technology investment as well—not only in corporate-facing tools but also internally.

FCTG, for one, has brought more technical expertise in-house. "The technology component—the engineers, developers, programmers—is probably one of the fastest growing parts of our business," Leiss said. And while FCTG has made some key acquisitions in the past three years to enhance its tech stack—it acquired WhereTo, Shep and more recently took an equity stake in TPConnects—much of the internal tech expertise is paying attention to agent tools.

"We're spending a lot of time bolstering some of the technology tools we put in front of our consultants," FCTG chief experience officer John Morhous told BTN in an interview in December. "It's not a secret that when Covid happened, we had a mass exodus from the industry. … With agencies, we saw some of the more senior consultants either retire or leave the industry, and you're left with a vacuum of skilled labor. … [This has] also highlighted [the need to enhance] the tools we put in front of the consultants to make their jobs easier and make them able to see more data at the time the inquiry comes in and understand a lot more about what's going on with [the traveler]. … So we're investing a lot in those pieces to improve our servicing capability [and] provide more automation in some situations."

ATG's Krings is thinking similarly. "As we've built the technology these past 24-plus months, we've taken a more creative look at how it might apply to the agent, account management and other client-facing roles, to align the automated ATG world with the personal, high-touch services," Krings said. The company has "invested considerably" in artificial intelligence to streamline processes, and the company's predictive travel planning tool, Baldwin, now includes an agent application.

As the digitization of travel gathers pace, the long-term impact on TMC staffing models is still up for debate. For Erol Arkan, technology and data solutions leader at Amazon Travel, greater digitization doesn't necessarily mean fewer people.

"We can have self-driving cars, but it's still hard to find a split-ticket fare. So, we really rely on our agency for things, including people on the ground … to do a lot of support work."

—MICROSOFT'S ERIC BAILEY

"It's about what is the most effective use of [TMCs'] experience and knowledge, and the information they have at their fingertips," he said, in a session at the Business Travel Show Europe kick-off event in February. He added that rather than focusing on agents to book travel from point A to point B, TMCs need to focus on building strategic relationships with travel managers.

He said there is an expectation that digital solutions are "intuitive enough" for most bookings to be made via self-service tools. TMCs should concentrate on "helping us understand where we can become more mature and [how we can] optimize [our travel programs]."

But even tech-savvy travel managers admit there are capability gaps, and a reliance on people to enable travel's day-to-day operations remains.

"We can have self-driving cars, but it's still hard to find a split-ticket fare," said Eric Bailey, global director of employee travel and devices at Microsoft. "So, we really do rely on our agency for a few things, including people on the ground and in the field to do a lot of support work," he said.

Still, Bailey is optimistic that AI advances—namely ChatGPT, in which Microsoft has invested $10 billion—will result in less reliance on people. "There are still some growing pains… but in five years, we expect significant change," he said.

Executive Travel CEO Steve Glenn told BTN he sees promise in ChatGPT as an agent back up system as well as a tool to "train up newbies" and transition new agents into the workforce.

"We've actually been working with our agents already to leverage ChatGPT, especially for what I call 'back up support' while the agents are with the customer," he said. "We sense that it's a game changer and an added value for the customer. We also see it becoming a kind of knowledge base and something we can use to transition younger workers into the industry."

Elizabeth West contributed to this report.

AS RFP VOLUME REBOUNDS, WILL SERVICE OUTSHINE PRICE?

BY MICHAEL B. BAKER

Despite consolidation across the travel management company landscape in recent years, it remains a competitive industry, with a significant percentage of buyers embarking on the bidding process.

"We expected the [request-for-proposals] volume to dip as we got into the pandemic, but that wasn't the case," CWT EVP and chief commercial officer Nick Vournakis said. "While travelers might not have been traveling, the travel programs were still being run, so it was a great time for corporates to go out and assess what's going on."

More than a quarter of buyers in BTN's survey said their most recent RFP process for TMC services took place since 2020. About 7 percent said their most recent RFP was in 2020, 10 percent last conducted their TMC RFP in 2021 and 9 percent did so last year.

Still, a majority, 55 percent, said they have not conducted a TMC RFP since 2019, and several TMCs said they have seen a pickup in RFP activity as of late.

COVID-19 'GRACE PERIOD' NEARS END

Fox World Travel VP of business travel George Kalka said he currently is seeing more RFPs relative to what he was seeing in 2018 and 2019. He noted that while travel buyers generally were patient with TMCs—many facing staffing issues after the pandemic forced layoffs—during the early days of the recovery, that patience now is wearing thin.

"There was a lot of loyalty, but there's now less patience," he said. "TMCs no longer have a hall pass for some of the investment areas, such as new technology for customer processes, that perhaps the TMC couldn't do because of Covid volume reductions."

FCM VP of sales for the Americas Alexandra de Vaux said that while the multitude of changes within the industry have driven buyers to go out to bid, the biggest trigger she is seeing on RFPs is service issues, particularly among smaller programs.

"TMCs are still struggling to restaff and appropriate resources across the management of a contract," she said. "Some TMCs are worse off than others and are having to prioritize certain customers over others, so we're seeing more midmarket multinationals going out to bid."

The TMCs themselves are driving some of the activity as well, sensing the opportunities among dissatisfied buyers and eager to demonstrate their own capabilities built in recent years. Mark Douglas, travel manager for Lifeplus, said that while he is not currently engaged in TMC negotiations himself, he has noticed more contact from TMCs interested in his business lately.

"The TMCs seem more active in trying to drum up business," he said. "Everyone is keen to talk to us."

MANAGING THE VOLUME

Even with the flurry of RFP activity, and some TMCs still reporting staffing levels lower than pre-pandemic levels, TMCs in general do not seem to be overwhelmed by the current volume of RFPs. Just over 78 percent of TMCs in BTN's survey said their current capability to respond to RFPs matches the number of RFPs they are receiving, and an additional 6 percent said their capabilities exceed current RFP volume. Only 16 percent said they do not have the capability to respond adequately to their current RFP volume.

Kalka, who said he has not heard of any customers having issues with RFP response time, said he's also noticed buyers are being "a little more reasonable" with RFP deadlines. Previously, some would ask for a response in less than a week, which is a "really quick turnaround," he said. De Vaux said she's also seen more buyers moving away from sending lengthy RFPs in favor of engaging in a discovery process leading up to the RFP, which results in "the formation of strategic partnerships."

At the same time, TMCs are getting more selective in which RFPs merit a response.

"Just because there's interest, they could be simply testing the market and don't have a high intendancy to change," Kalka said. "We're looking for where we fit really well and where we can help them through customization."

De Vaux reported a similar approach.

"We've opted out of a number of RFPs, if there's not a relationship there or no engagement there or if the customer has reasons we would say it is not a good fit," she said. "In the past, we had an abundance of resources, but now we have to be very strategic around what makes sense for our business and apply our resources to that."

Of course, the time required to conduct an RFP along with the cost and time that goes along with changing a TMC remain a barrier in the process. TMCs continue to work through the annual churn—with typical contracts lasting three to five years, meaning about 20 percent of clients are up for renewal for any given year—with an eye on retention, said Vournakis, who also noted current RFP volumes for CWT are running about in the typical volume.

"To what degree we can preempt a formal RFP is in every TMC's best interest," he said.

The change in circumstances following the pandemic is working both ways, however. One buyer, who asked to remain anonymous because she is in the midst of renegotiating her current TMC contract, said she currently is "largely very satisfied" with her relationship, which has endured for a long time, and has "no appetite to change."

The challenge for her now is being able to maintain the terms negotiated in softer times for her TMC.

"It was right at the beginning of Covid, so we'd like to sustain all of the significant advantages we negotiated in the last review," she said. "We've worked fiercely to be a very good client, so we are hoping we are able to retain what we have."

BIG JUMPS IN SUSTAINABILITY, DEI

TMCs report some areas of focus are popping up more frequently in RFPs, though they say the nuts and bolts of buyers' needs has not changed drastically.

The most dramatic increase has been in sustainability, with 84 percent of TMCs in BTN's survey saying they have been fielding more questions on the topic.

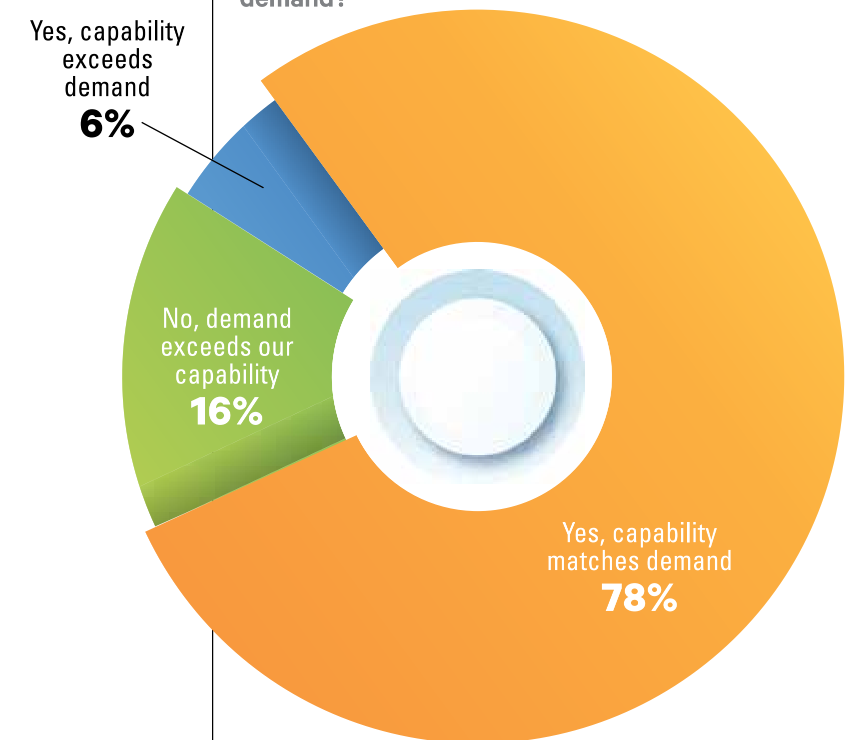
"There's not a single RFP we're answering these days that aren't asking specifically about the ability to display carbon emissions and to track carbon emissions," Vournakis said. "Building a carbon budget is not so much in an RFP per se, but nine times out of 10, they're going to have some requirement around the ability and visibility at point of sale of carbon emissions."

As has long been the case with sustainability, what's in an RFP does not always translate into action, however.

"They ask about it, and we tell them everything we're doing around it, but still, especially because of inflation

TMCs: WE'RE READY FOR RFPs

Does current capability to respond to RFPs match demand?

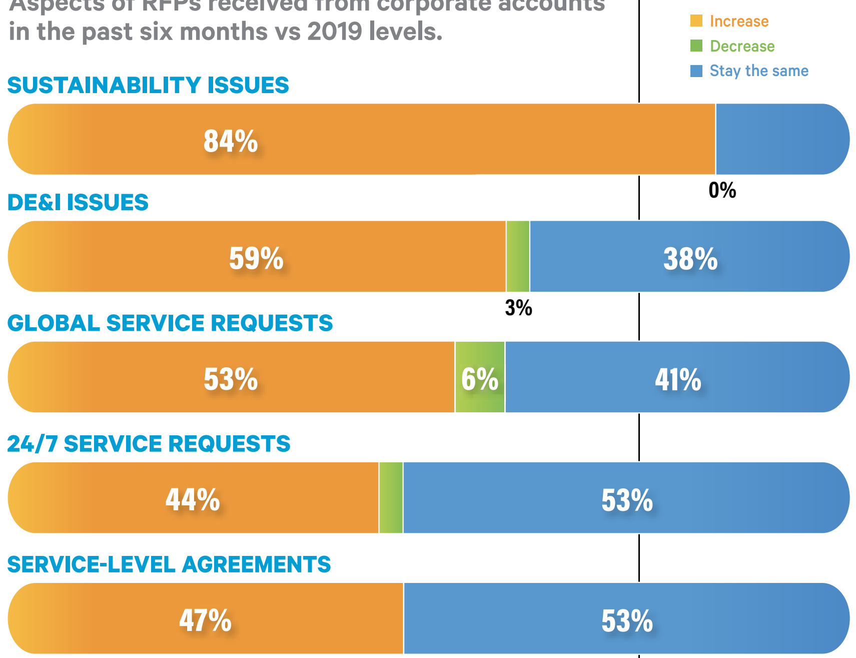


Source: A BTN February 2023 survey of 32 travel management companies rates, everything comes down to costs," FCM's de Vaux said. "While the interest is out there, we're not seeing a lot of people fully implementing where we're making recommendations."

Diversity, equity and inclusion is appearing more frequently in TMC RFPs as well, with nearly 60 percent of TMCs reporting a rise. Kalka said similar to what Fox is seeing with sustainability, with the questions more about what the TMC is doing than what the TMC

GREEN ISSUES RISE IN RFPs

Aspects of RFPs received from corporate accounts in the past six months vs 2019 levels.



Source: A BTN February 2023 survey of 32 travel management companies

can do to help the company, though "we've done some work around accessibility, physical and neurodiversity in business travel, thinking about how to make a travel policy more approachable."

SERVICE MOVES TO FOREFRONT

Other changes to the RFP include more focus on service, with 53 percent of TMCs reporting increases in global service requests, 44 percent reporting an increase in 24/7 service requests and 46 percent reporting increases in service level agreements.

David Reimer, American Express Global Business Travel EVP of global clients and general manager for the Americas, said he's now seeing service capabilities outpace pricing in terms of importance to buyers. In particular, he is seeing an increase focus on globalization.

"It's not that global RFPs are anything new, but what I'm seeing is customers more committed to a global program," Reimer said. "Customers are more focused on how to bring in every single market, and there's a bigger push to do a truly global program."

That in turn has brought increasingly complex questions into the RFP process around data and data security for global programs, TMCs said.

The changing laws around the world surrounding data privacy have made it an "enormous deal and undertaking," and TMCs have had to make costly investments in order to be prepared to handle those questions, said Mark Walton, who recently launched a new TMC, Solutions Travel, that is partnering with Spotnana to use its travel-as-a-service platform as its core infrastructure.

Reimer said he has seen an increase in RFP requests around help with bringing meeting and transient travel programs together, providing a more holistic view of a travel program, as well.

While New Distribution Capability has been on the horizon for more than a decade now, TMCs said the potential for increased fragmentation in what airline content is available to TMCs has brought that to the center of the discussion as well. (For more on NDC strategy in 2023, see page 14)

"It's causing confusion in the marketplace, with all the rhetoric out there about who's ready or who's not," Walton said. "Companies are looking at what they need to be doing with in a three- to five-year future strategy."

Lifeplus' Douglas said that has been one of his challenges, particularly in ensuring travelers get content with Lufthansa that matches what they could get booking direct with Lufthansa when the journey originates outside of Europe. "You've got to make sure the [TMC] technology is giving the whole gamut of airfares, NDC content as well as GDSs and low-cost carriers," Douglas said.

RACE FROM TRANSACTION FEES REMAINS CLOSE TO STARTING LINE

BY MICHAEL B. BAKER

Travel management companies and consultants alike are expressing frustration that the needle has not moved too far away from transaction-based pricing, but they also are reporting success with some clients in pioneering new models, particularly those implementing more incremental changes.

Speaking in December at The Beat Live, BCD Travel president and CEO John Snyder said the TMC has seen "very little movement" away from transaction-fee models and said the lack of headway in changing the pricing structure was his "biggest frustration" since the onset of the Covid-19 pandemic. "I have huge regrets that we haven't pushed harder, but we pushed pretty hard, and the customers have pushed back on us," Snyder said.

Similarly, Flight Centre Travel Group chief experience officer John Morhous recently told BTN that he hasn't seen any material shift to subscription-based models, noting that "there are different things happening, but this huge swell momentum shift … we haven't seen that."

Data from BTN's survey shows a similar trend. Of TMCs surveyed, only about a quarter said they have fewer clients with transaction fee structures today than they did in 2019. Nearly two-thirds said there has been no change, and 9 percent said more clients have transaction-fee structures than before the pandemic.

On the buyer side, less than a quarter said their commercial structure with their TMC has changed since the pandemic, and 62 percent said they have a transaction-fee structure with their TMC. Only 2 percent said they had a subscription-fee model; 10 percent reported a management-fee model, and 12 percent had fully loaded pre-trip fee model.

WHO'S TO BLAME?

Echoing what many TMC leaders have said over the past few years, Snyder said the pandemic has exposed "that the transaction pricing model was broken," as TMCs were "not getting fairly compensated for the work they were doing." As travel halted and transactions went into negative territory, Snyder said the TMC was thankful for "some great customers who stepped up and provided funding outside of transaction pricing agreements," which were producing zero revenue. While he's hopeful there never will be a long-term travel shutdown anytime soon, shorter-term shutdowns over the years—Sept. 11 and the 2010 Icelandic volcanic ash cloud, to name two—exposed similar weaknesses in transaction models.

Despite the proliferation of subscription models in other industries, however, it's been difficult to persuade corporate customers to adopt them in travel, Snyder said.

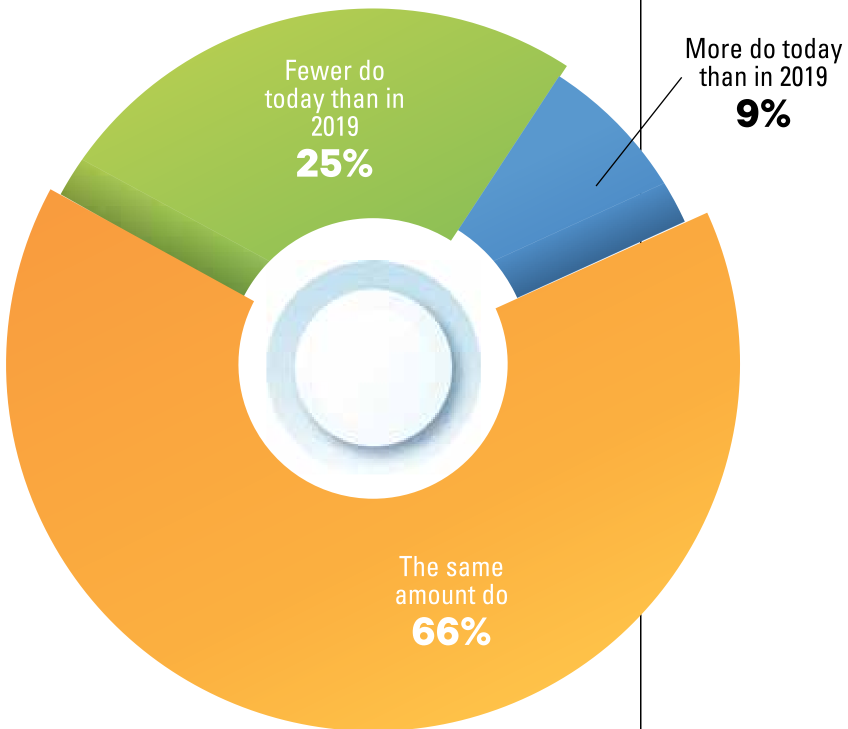
"Everyone does in their personal lives everywhere: Netflix, Amazon," he said. "Subscription pricing controls the world, but we can't get out of that transaction mindset."

The request-for-proposals process has been one stumbling block, CWT VP of finance Brady Jensen said. The traditional template is strict in pricing fields, requiring responding TMCs to fill them out in terms of transaction or management fees, he said, and offering other pricing options while remaining compliant is not easy. There has been progress there over the past year, he added.

"We've seen a bit of a shift in the RFPs, where the client is asking for a traditional transaction-fee model and wants to know how much they'll be charged for after-hours calls and typical fees with ancillary services, but we've also seen them asking for what other models you have," Jensen said. "I wouldn't say every single RFP has that element, but the door has been opened to propose something that is outside of the traditional models."

MODEL MOVEMENT LIMITED

Compared with 2019, how many clients have a commercial agreement with your TMC that is based on traditional transaction fees?



Source: A BTN February 2023 survey of 32 travel management companies

Snyder said some of the onus falls on consultants to convince corporations of the need to change. Jensen noted that the RFPs that were open to different pricing models tended to come from consultant-led processes as opposed to those led by non-consultant. Yet, consultants say they've had their own challenges in promoting subscription-based models, and they turned the finger of blame back toward TMCs. Responding to Snyder at The Beat Live, Festive Road managing partner Caroline Strachan said she has asked TMCs for "creative pricing" in "every single [request for proposals] we did since the start of the pandemic." The vast majority of the time, the firm did not get a response to its request, she said.

"I think some of it is the mindset—some TMCs weren't ready," Strachan said.

Independent travel consultant Bex Deadman said she's also seen slow movement from TMCs in shifting pricing models. One large U.K.-based client in particular, which has a mostly domestic travel program, was unhappy with their current TMC and the transaction model and didn't understand what value they were getting out of it. When they tried to discuss the issue with the TMC, they were "unable to show innovation" in that area, Deadman said.

While non-transaction-based models make sense for TMCs on paper, actually implementing them is a more complicated process.

"It's a big shift," Deadman said. "They've built models and systems on current commercial models, and many suppliers are still in the transaction-fee models. Much like with [New Distribution Capability] and commissions, it's taking them a long time to wake up."

ADJUSTING THE OFFER

Both BCD and CWT say they have been polishing alternative pricing models to make them more attractive to corporate customers. Snyder said BCD has gotten "a lot of customers" under the "cost-plus" model, in which customers pay for direct expenses as well as a markup, and that model proved better for TMCs than traditional transaction-fee models during the pandemic.

CWT last May announced availability of a new subscription-fee model, in which clients pay a monthly fee that covers all services based on forecasted transactions and services needed, that it had been testing with select clients for about a year. As it presented that model to clients, however, the TMC heard a recurring issue, Jensen said. While clients liked the idea of having a clearer picture of how to budget for TMC costs—since they wouldn't, for example, have to predict how many after-hours calls they will have in a year—they also did not have a central budget from which they could pay a subscription fee. They still needed fees at the point-of-sale so they could be associated with the respective budgets in their company, he said.

As such, CWT introduced what Jensen called "subscription fee version two," in which clients pay an all-inclusive, standard global transaction fee at the point of sale.

"We've maintained the elements of simplicity and a highly bundled fee but have been able to offer this so that the travel departments aren't trying to figure out how to pay a central invoice from a central budget," Jensen said. "You're not going to get charged separately for after-hours or other ancillary services; it's an all-inclusive charge."

CWT's new subscription model, and especially the bundled transaction-fee version, has been most popular among its tech clients, Jensen said, likely because it resembles the traditional software or cloud-based pricing model. In a larger sense, it has tended to resonate more with large, multinational clients.

"The more complex and more countries a client is in, the more opportunity there is to simplify and do single billing in one country," Jensen said.

Mark Walton, who was formerly with Options Travel and recently launched a new TMC, Solutions Travel, said he's still seeing most clients ask for transaction fee models, though the traditional transaction fee model is "probably one that we would try to move away from as much as we can." Clients have been accepting of per trip fees, which is easier to budget, as well as the "hybrid Corporate Travel Department Model," which shows the revenues a company receives and the expenses that exist and then takes a portion of that net as a management fee.

> *"I have huge regrets that we haven't pushed harder, but we pushed pretty hard, and the customers have pushed back on us."*
>
> —BCD TRAVEL'S JOHN SNYDER

SUCCESS STORIES

Consultants say they are making progress from the buyer end as well. Despite the low response rate from TMCs on alternative pricing models, Strachan said one client in particular has found success.

"We had to do something different, and we had to create transparency," she said. "There were certain contractual clauses we had to create, but they are enjoying a very great relationship."

Deadman said the client that was dissatisfied with the TMC has since launched a travel solutions tender—a microservices tender focused on risk management—that did not even allow a transaction fee as an option, opening it not only to TMC but also other travel service companies as well. Besides eschewing transaction fees, the client also stripped out the need for fare comparisons, with the reasoning that it is beyond the TMC's control what airlines and hotels charge.

"We really want to look at services, and that's where TMCs can glaze over," Deadman said. "At the end of the process, we think we'll end up with a TMC, but the [service-level agreements and key performance indicators] will be different."

Rather than traditional KPIs—whether the website is up or whether calls were answered, for example—the client will be interested in seeing how the TMC helped them travel better and, perhaps, traveled less. "Show us how to do it better, and we'll incentivize them in how to do it," she said.

Deadman said she expected the company's progress ultimately could be a model for other companies. "This is the first tender I've written like this," she said, "but it won't be the last."

CWT, meanwhile, recently signed its first client based outside of the U.S. to its original subscription model, which Jensen said boded well for further adoption.

"Now we're getting that global reach and have educated internally as well, as internal training also takes time," Jensen said. "We're getting tentacles to folks outside of the original pilot, and we're pretty confidant the word is getting out more globally."

Nobody Likes TMC Transaction Fees

SO WHY HASN'T ANYONE DONE ANYTHING ABOUT THEM?

BY ANDY MENKES

For the two decades leading up to early 1995, corporate travel agencies were able to win business account in large part on the basis of the rebate they were able to offer to their (larger) corporate clients. Demand for service and online booking tools were not as strong a consideration as cold-hard-cash.

As soon as commissions were reduced—then eliminated—by the airlines, travel agencies had to "flip" the model and rebrand themselves as travel management companies.

That's enough of a history lesson to explain why that model seemed to be fine for TMCs until we saw a significant change in transaction volume, first going back to 9/11 and more recently as a result of Covid-19.

The are a multitude of problems with the transaction-fee model. I will focus on three major areas: They have dual income streams, they are calculated by SWAG, and the fees are uniformly applied.

DUAL INCOME STREAMS

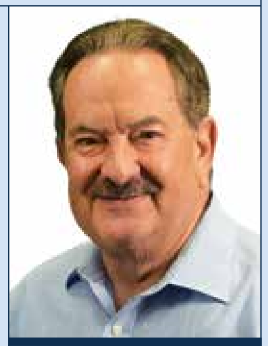
BTN has reported on quotes from some of the largest global TMC executives, who have confirmed that the "majority of" earnings before interest, taxes, depreciation and amortization "comes from supplier revenues." I commend them for their transparency, but that dependence means that passenger name records that don't have robust supplier income contributions drive down TMC profits, and therefore drive up the TMC fee model.

As an example, if the client company has a significant amount of net hotel rates, multiple chainwide hotel deals and a high unattached hotel rate, and corporate deals with all major carriers, that drives down TMC supplier income. The incumbent TMC knows the math; the bidding TMCs are guessing. (I will get back to that.)

CALCULATED BY SWAG

I don't mean the goodies you get at a trade show; it's about the scientific wild-a** guess.

As indicated above, bidding travel management companies have to estimate their supplier income as well as expenses to come up with a fixed transaction fee that applies across all categories of transactions—VIP, international and corporate, among others. The best way for the TMC to "protect themselves" is to raise the fees to a level that minimizes their miscalculations. That's certainly not scientific!



Andy Menkes is founder and CEO of Partnership Travel Consulting. A longtime consultant with stints as a travel buyer and airline and travel management company executive during his multi-decade career, Menkes was BTN's 1999 Travel Manager of the Year and a 2014 inductee into the Business Travel Hall of Fame.

UNIFORMLY APPLIED FEES

Let's use the following offline fees for illustrative purposes:

- $40 domestic
- $50 international
- $60 VIP

The premise of those three fees is that they require different agent skill sets, which means a higher-cost agent, and labor is upwards of 50 percent of the transaction cost. Sound fair? No, it sounds democratic.

- Traveler A, call him Andy for any of the above personas, makes a round-trip JFK-LAX passenger name record and is out of town for four nights but doesn't have a hotel booking made through the TMC.
- Traveler B, call her Beth for the same three personas, books the same dates but in business class and has a four-night stay at a commissionable (to the TMC) hotel rate.

The problem: In both cases Andy and Beth would be charged $40 for offline unless one or both are VIPs, and in that case each gets charged $60. The problem with that "averaging" is that Andy's PNR has zero hotel segment, so no global distribution system segment income to the TMC, and no hotel commissions to the TMC. Beth's booking on the other hand could potentially produce an additional $90 to the TMC; yet both get charged the same transaction fee!

The application of a uniform transaction fee is unfair to both Andy and Beth. Andy is paying too little, and Beth is paying too much. What would make more sense to me is to make Andy pay a higher transaction fee because of the unattached hotel; at a minimum, that will drive behavior.

The bigger picture here is that the corporation is paying fees based on estimated averages, and the TMC carries labor costs to meet service-level agreements that are not sufficiently flexible to deal with significant "ups and downs" in a transaction-based model.

This dilemma can be solved by having a shift to an overall management fee, with transaction "fees" for PNRs that are out of policy. Charging the same fees to everyone is "democratic" but anything but scientific.

BTNGROUP
CONFERENCES & EVENTS

Experience the industry's best networking and education opportunities.

2023 IN-PERSON EVENTS

BUSINESS TRAVEL trends & forecasts
WASHINGTON DC — March 21
ATLANTA — May
SINGAPORE — July
CHICAGO — September
PHILADELPHIA — September 28
TORONTO — September
BOSTON — October
MINNEAPOLIS — October
SEATTLE — November
NEW YORK — November
SAN FRANCISCO — December
DALLAS — December

entertainment TRAVEL SUMMIT
NEW YORK / May
LONDON / November
LOS ANGELES / December

12th annual BUSINESS TRAVEL SUMMIT
PEBBLE BEACH — June 20-23

STRATEGIC MEETINGS SUMMIT
SAN FRANCISCO — June 5
NEW YORK — June 12
LONDON — October
CHICAGO — November 6

10TH ANNUAL innovate advancing business travel
NEW YORK — October 2

BTN 39TH ANNUAL TRAVEL MANAGER OF THE YEAR Awards
DALLAS — August 15

GOVERNMENT TRAVEL SUMMIT
WASHINGTON DC — October 23

12TH ANNUAL BUSINESS TRAVEL HALL of FAME
NEW YORK — December 6

BUSINESS TRAVEL SHOW EUROPE
LONDON — June 28-29

BUSINESS TRAVEL TECH TALK
CHICAGO — May 1
FRANKFURT — June
SAN FRANCISCO — September
LONDON — November
AMSTERDAM — Q4 TBD
PARIS — Q4 TBD

16TH ANNUAL The Beat live
NEW YORK — December 5

BUSINESS TRAVEL LODGING SUMMIT AMERICAS / **4TH ANNUAL BUSINESS TRAVEL ACCOMMODATION SUMMIT EUROPE**
AMERICAS — September
EUROPE — September

BUSINESS TRAVEL SUSTAINABILITY SUMMIT & AWARDS
AMERICAS — May 8
EUROPE — 22 May

BUSINESS TRAVEL AWARDS EUROPE
LONDON — October 30

2023 VIRTUAL EVENTS

3RD ANNUAL Travel Procurement VIRTUAL WORKSHOP SERIES
March 7
March 14
March 21
March 28
April 4
April 11

GLOBAL TRAVEL RISK SUMMIT
AMERICAS — April
EUROPE — May

BTNGROUP SYMPOSIUM Advancing Traveler Health & Wellness
October

business travel intelligence summit
EUROPE — October
AMERICAS — November

BUSINESS TRAVEL SHOW AMERICAS
April 20

BTNGROUP SYMPOSIUM VIRTUAL Diversity, Equity and Inclusion Series
October

BUSINESS TRAVEL SHOW EUROPE KICK OFF
23 February

view all events
www.businesstravelnews.com/events

To learn more about sponsorship opportunities for these events, contact BTN Group Vice President of Sales, Lindsay Straub at **LStraub@TheBTNGroup.com**.

PRESENTED BY
BTNGROUP CONFERENCES & EVENTS

PUBLISHERS OF
BTN BUSINESS TRAVEL NEWS — Travel Procurement — The Beat — BTN BUSINESS TRAVEL NEWS EUROPE