Selecting a Travel Management Company

Consolidation churns supplier set as service scope broadens.

THE SPATE OF CONSOLIDATION AMONG TRAVEL MANAGEMENT COMPANIES has showed no sign of slowing over the past year, even as business travel volumes have begun to pick up again. American Express Global Business Travel completed its acquisitions of Egencia and Ovation Travel Group, while TripActions has significantly bulked up its presence in Europe with acquisitions of Reed & Mackay, German TMC Comtravo and Swedish TMC Resia. Corporate Travel Management has completed its acquisition of Helloworld Corporate and has begun integrating its brands. Frosch, which itself was recently acquired by JPMorgan Chase, acquired Valerie Wilson Travel as well as a majority stake in Conlin Travel. TravelPerk has acquired Click Travel, while Direct Travel has acquired both McCord Travel Management and Short Travel Management's corporate business.

With many TMCs coming off two years of devastating losses and still working to recover staffing levels lost over the course of the Covid-19 pandemic, don't expect the consolidation trend to subside anytime soon. Consolidation inevitably will mean less choice for travel buyers but also a different range of choice among the acquiring companies as they absorb the staff, knowledge and technology of their acquisitions. Amex GBT, for example, has used the Egencia acquisition to make a bigger play toward small and midmarket clients.

Two of the largest TMCs have seen big shakeups in terms of ownership over the past year as well. Amex GBT soon will complete a merger with special purchase acquisition company Apollo Strategic Growth Capital, which will take it public and raise more than $1 billion in gross process. CWT, meanwhile, completed a recapitalization last year that left it with a $100 million investment that it plans to use to increase content, improve connectivity and pursue sustainable travel initiatives.

Those investment priorities also show the broadening scope of services travel buyers expect their TMCs to be able to perform, particularly in focusing on traveler safety and well-being as well as helping companies meet sustainability goals in their travel program. That is driving another wave of acquisition as TMCs seek best-in-breed offerings to provide these services, such as Flight Centre Travel Group's acquisition of Shep—a software provider that can help with the capture of off-channel bookings—or TravelPerk's acquisition of sustainability consulting firm Susterra.

As the pandemic dropped travel to nearly zero for most TMCs at its onset, there was much speculation that there would be a harder push to adopt subscription payment models rather than payment based on transactions, as that would leave TMCs better equipped to manage through the next crisis. So far, there has not been any widespread change, but there still could be movement toward more hybrid-type models with both types of fees.

Regardless of a company's individual needs, the pandemic has highlighted the role of the travel management company as an essential partner for travel buyers, which makes strategy and diligence all the more important when establishing that partnership. — *Michael B. Baker*

I. LAY THE GROUNDWORK

A. Understand your company's vision and overall objectives: cost versus service; national versus regional versus multinational structure; autonomy versus consolidation; automated versus manual support; traveler-empowered program versus mandated program or something in between; and 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. 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 to traveler safety issues.

D. Assess the program that evaluates the agency agreements in place today, the service delivery model, technology, program compliance and reporting. From this, develop business requirements against which service providers will deliver.

E. 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.

F. 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.

G. Document any requirements for mobile apps and other tools and technologies that you want to be part of your service offering.

H. Obtain senior management authority. Set up an advisory committee of travel arrangers, frequent travelers and managers from finance, procurement, information technology, HR, physical security and legal. Consider a forming a subcommittee to evaluate proposals. Determine decision governance. 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 to 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

Collect data, by country and location, from internal departments, incumbent TMCs, charge card providers, suppliers and your data consolidator. Observe the 80/20 rule. Seek maximum data for the highest-volume countries and locations and 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, break international travel down into regional and intercontinental travel. Include rail, auto and ferry figures where available.

B. When comparing data sources, consider the gaps to understand program leakage. If there is a gap between charge card data and TMC data, it could indicate bookings made outside the TMC that could captured and included in the future.

C. Provide total transactions for the past three 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 fluctuations are likely to affect service needs. This will impact staffing and total costs.

D. 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.

E. 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 VIP services, use of international rate desks, bookings from guests or travelers who don't have profiles in the system, 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.

F. Define the benefits and shortcomings of the current service and staffing configuration, including the number of your offices where the TMC locates staff onsite, staff by job category and unique or special services provided. For onsite agents, make note of telephone systems and other equipment that you don't need or want the TMC to 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.

G. Number of travelers who carry corporate cards.

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

I. 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 the 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.

J. Project your company's growth, though it's not guaranteed. Review likely volume increases or decreases for the largest corporate locations, which could impact staffing.

K. 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.

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

M. Payment process, including billing and payment configuration.

N. Gather baseline data on fees paid for collateral services, e.g., nonrefundable ticket tracking, pre-trip notifications, risk management services, traveler tracking services, consulting services, custom reporting and meetings and events support.

III. NARROW THE FIELD

A. Prequalify bidders based on company procurement guidance, internal need analysis and the bidders' client rosters. Small or midsize accounts considering a mega TMC should investigate services it typically offers customers of that size and ensure they meet your needs. Anyone involved in the process should sign nondisclosure agreements.

Consider pre-RFP 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.

C. Consider how the bidders balance and measure service and cost avoidance. 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 systems.

E. Determine which TMCs best support technology, including:

1. Online booking tools.
2. Automated expense reporting.
3. Pre- and post-trip reporting and/or business intelligence tools.
4. Traveler-tracking and other risk-management tools.
5. Payment system integration.
6. Tracking/refunding unused tickets.
7. Profile management systems.
8. Custom portals with profiles, policy, security and destination information.
9. Mobile apps for itinerary management and travel booking
10. Systems for measuring CO2 emissions and offsets.
11. Tools for accessing non-GDS content.
12. Air and hotel rate reshopping tools.

F. Consider the TMC's role in account management, negotiation services, policy consultation, process innovation, e-commerce integration and meetings and incentive management, plus related fees. Will you require or encourage bidders to offer meetings 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 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 the TMC's ownership structure, board membership and 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, 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, as well as operational staff and the proposed account manager and be ready to have your senior officials 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 organization is successful by geography and product or service. Include all global and local travel policies or at least summaries. These will affect service offerings, as the winning TMC will have to observe them.

C. A request for information on the TMC's ownership, offices and call centers, operating hours and after-hours service and support, years in operation, headcounts, agents' average years of 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 that recently implemented the TMC, as well as those who recently left the TMC for reasons other than consolidation.
4. Number of staff to be dedicated, designated or shared on your account; each agency defines these differently and it is important to seek clarity on whether your agents will serve only your travelers or also will serve others. Also look at 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 others.
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 data required by the U.S. Transportation Security Administration.

12. After-hours 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 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 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 is 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 serve you, or will it be a central call center?
   - **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 or sourcing 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 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 mobile 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? Is the data available in real time? How is data quality ensured, and how does the TMC match and cross-reference information when it's consolidated from multiple sources?
4. Can reports present detail by department and down to the traveler level?
5. Are global reports available? How—and how effectively—is data gathered from foreign locations? What is the timeline for receiving global reports, and how often are they updated? Are delivery and accuracy guaranteed?
6. How can travel and payment data be consolidated?

G. Financial and billing information.

1. Provide a spreadsheet for TMCs to complete so proposals are all in the same format. Separate TMC revenue into base airline commissions, overrides, hotel and car rental 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 to make bid comparisons simple. 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

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. Don't defer your choice to your travel management company, as GDSs incentivize TMCs to reach contracted volume thresholds.

I. GDSs provide real-time data about flight schedules, airfares and seat availability and process airline reservations. They also provide availability and booking support for hotels, rental cars, trains, limousines and ancillary travel services.

II. They store travelers' booked itineraries as passenger name records and pass booking information to agency accounting systems.

III. They store passenger and corporate profile information so they can transfer it into reservation records automatically.

IV. TMCs lead most GDS implementations, but they may consider alternatives as some suppliers seek ways to work around GDSs.

V. Online booking tools connect with GDSs to obtain inventory and allow for pricing and reservations.

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 tickets issued or purchased, though some arrangements also include separate charges for hotel- and car-only reservations and for refunds and cancellations. If separate charges for hotel- and car-only reservations are included, ask for a bundled transaction fee quote for comparison.

- **i.** For calculations of a transaction fee, determine whether 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 book higher-fare tickets.
- **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' definitions of direct and overhead expenses differ, but TMCs should provide comparable numbers for profit and overhead.
- **vi.** Determine if fees are to be paid at ticket issuance or are due quarterly, monthly, weekly or at the point of sale. Will these be paid locally per office, per country, or, less commonly, by global payment from headquarters?
- **vii.** Determine how hotel commissions are recovered and managed.
- **viii.** Create a service-level agreement with, at the client's option, a financial incentive to the TMC for meeting specified key performance indicators and a possible 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 real improvements are rewarded and only bad performance penalized.

c. Depending on the size of the account, thee TMC could provide cost savings to the client in the form of savings on air, hotel and car rental spending. These agreements can be complex but can differentiate 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 organization.

- **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 legal department review requested changes to your terms and conditions. Do not agree to automatic rollovers; 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 any questions from your organization.
- **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 remote conferences for demonstrations of technology.
- **F.** Visit TMCs 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 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

changes the TMCs request.

C. Contracts should contain definitions of key business phrases, plus sections for financial, service-level agreement and data privacy and security details.

D. Review your company's balance-of-trade guidelines.

E. Include a 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 for high performance.
2. Include criteria for an overall rating on meetings 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 and 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 rental discount contracts, as well as all profiles and unticketed reservations, if possible.
4. Refrain from using any other TMC.
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 their 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; though they may not win, they may 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 weekly or monthly calls and quarterly account reviews. Evaluate infrastructure costs up front and document startup costs.

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