

# The Science Of Relationships

## Buyers Marry Quantitative Analysis, Qualitative Feedback In Quest For Mutually Beneficial Supplier Connections

The discipline of supplier relationship management can run the gamut from formalized processes and data-driven performance assessments to periodic meetings and shared user feedback. Number-crunching on key performance indicators and service-level agreements can help organizations determine if they are maximizing value, while such strategic activities as joint product development and participation on advisory boards—as well as simple, open dialogue—often are more important elements.

Travel buyers want good service and value for their dollar. Sellers want as much of the buyers' business as they can get. But successful and collaborative enterprisewide relationships go further to include engagement from individual travelers up to the C-suite. They may involve fostering responsible corporate practices, reducing risk, sharing goals and driving innovation.

"The challenge for procurement departments in organizations has been the balancing act between the traditional role of negotiating the most beneficial form of commercial agreement, whilst also facing the challenge of maintaining a trusting partnership," according to Kirsten Schipper and Thomas Dahm, authors of a segment within a Capgemini Consulting research report, *Supplier Relationship Management Research 2012-2013*. "Many 'old school' procurement professionals have been struggling with the balance of negotiating with a supplier, and being the manager of a partnership with that same supplier. ... Today's challenge

is to set up structures to successfully measure and manage suppliers and build processes and procedures to intervene if KPIs are not met."

Many of the key tenets of any good supplier relationship are foundations for the most successful ones with travel suppliers. "It's transparency; having a very open and honest and clear relationship," said Gordon Wilson, president and CEO of Travelport, which provides technology to managed travel programs, travel

best clients "task us at being better at what we do," said Balboa Travel president and CEO Denise Jackson. "They push us to be innovative."

### Inside The Numbers

To explore how travel and meetings procurement professionals measure, interact and collaborate with their suppliers, *Travel Procurement and Meetings & Conventions* surveyed 236 of them.

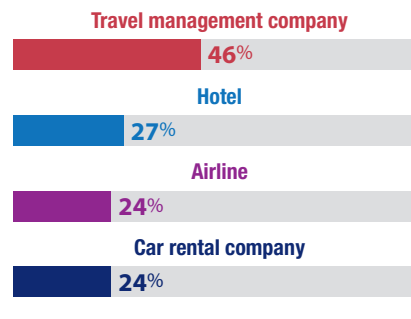
While 32 percent of respondents indicated their organizations have a formal SRM team (38 percent among respondents representing organizations that spend more than \$1 million annually on T&E), seven in 10 indicated they engage in SRM with hotels, a higher response rate than for any other supplier category (see charts, page 18). That's likely due to the large number of properties—including those local to headquarters or other office locations—used by many organizations. Second in that regard is travel management companies (56 percent of all respondents, and more than three-quarters of the \$1 million-plus crowd), which is not surprising, given how engrained TMCs are within many managed travel programs. More than half of all respondents also indicated SRM activities with airlines and car rental firms.

Unsurprisingly, companies with more than \$1 million in T&E spending were more likely than those with less to engage in each formal SRM technique listed. Review meetings, service-level agreements and key performance indicators were most cited.

Meanwhile, with few exceptions, the aggregate level of importance >

### Contributing To Supplier Product And Service Development

Portion of respondents involved, by category



agencies and other travel suppliers. "If there is a misunderstanding or distrust, or people aren't getting the full information, that's a problem. The other thing is related to data. Every corporate I speak to—every single one—complains about data: lack of data, inconsistency of data, the form it comes in, the possibility of reconciling it. That's a key area that relationships increasingly pivot on but actually is poorly served."

Of course, it's a two-way street. To pursue meaningful relationships with their suppliers, buyers need a clear strategy and well-defined goals. The

placed on eight components of preferred relationships with the 11 listed supplier segments was greater than the level of satisfaction reported by survey respondents.

What's most important? Of the seven measures garnering an overall importance score above 5.5 points on a six-point scale, four were for quality of service. Also rating highly were favorable pricing from hotels and the value of relationships with travel management companies.

Who does well? Satisfaction levels for five of the eight categories were highest for audio-visual companies.

Whose performance falls short, comparatively speaking? Airlines received the lowest satisfaction levels in four categories. Meanwhile, across all findings are eight instances of the aggregate level of satisfaction falling below a 4 on the six-point scale. Half were for expense management tool providers and, overall, half were in the area of product and process improvement.

When supplier performance falls short, some organizations levy penalties. Among represented companies in the *Travel Procurement and Meetings & Conventions* survey, nearly three in 10 indicated that penalties are applied when TMCs miss agreed-upon service-level agreement targets. Among the \$1 million-plus T&E crowd, more than one in three said as much.

When monitoring contractual performance by airlines, hotels and car rental companies, represented organizations are much less likely to use penalties than they are with TMCs, and for those supplier segments are more likely to use rewards for performance that meets or exceeds expectations.

A key part of SRM can be sharing

with suppliers feedback from travelers and/or meeting attendees. More than eight in 10 survey respondents said they do so, including more than nine in 10 among those representing organizations that spend more than \$1 million annually on T&E. Across the survey base, informal feedback and post-trip/post-meeting surveys are the most popular means.

Reciprocity also can be a key component in instances when an organization's supplier also is a customer. About a quarter of respondents

managing corporate travel and/or meetings costs. More than half indicated they are involved in setting corporate travel and/or meetings policies; negotiating rates for transient travelers and/or meetings; and/or selecting or recommending business travel suppliers and/or meeting facilities and destinations. About 40 percent said they manage outsourced corporate travel and/or meetings management suppliers.

Represented T&E spending slanted toward small and midsize enterprises, with 37 percent indicating annual 2012 volume under \$1 million. Another 19 percent had T&E up to \$3 million, and 9 percent more to \$5 million. Nineteen percent said their organizations spent between \$5 million and \$25 million on 2012 T&E, and 13 percent indicated their organizations spent more than \$50 million.

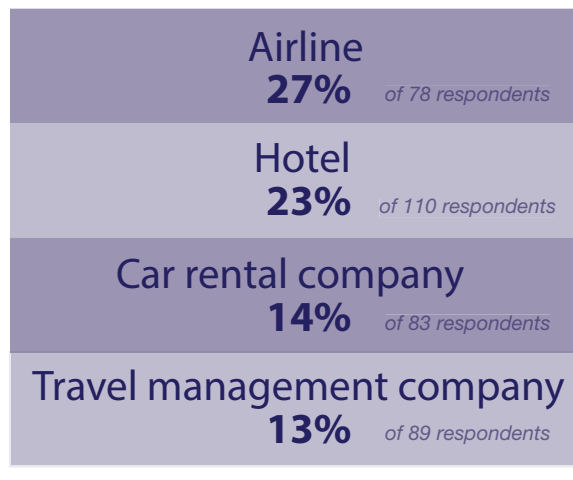
About one in five respondents to the survey works in procurement or meetings departments. Seventeen percent indicated they work for senior management, followed by the travel department (13 percent of respondents) and marketing or sales (12 percent).

In terms of travel management structure, 45 percent of all respondents—including 62 percent of those representing organizations with more than \$1 million in annual T&E spending—reported a centralized travel program. Another 9 percent (of both the total and the \$1 million-plus subset) indicated they now are centralizing. Most of the remainder said travel spending is managed but not centralized, with small minorities reporting unmanaged travel spending.

Third-party analytics firm Equatation Research tabulated all results. [↗](#)

## Reciprocal Business Relationships

*Where travel supplier also is a customer*



indicated such relationships with airlines and hotels, and fewer with car rental companies (14 percent) and travel management companies (13 percent).

### Methodology & Respondent Demographics

*Travel Procurement and Meetings & Conventions* invited subscribers to participate in this joint research and editorial effort. In June and September 2013, 236 qualified corporate travel and meetings buyers answered an online questionnaire.

Three-quarters of respondents confirmed that they are involved in

### SRM In Action

Portion of respondent organizations engaged in supplier relationship management, by category

All respondents	\$1M+ T&E spending
Hotel	
70%	76%
Travel management company	
56%	76%
Car rental company	
53%	67%
Airline	
52%	64%
Online booking tool provider	
30%	42%
Expense mgmt. tool provider	
23%	34%
Other ground transportation co.	
24%	30%
Meetings mgmt./planning co.	
27%	29%
Audiovisual company	
25%	22%
Destination management co.	
18%	15%
Meetings mgmt. tool provider	
13%	16%

### Channels Used To Collect Traveler & Attendee Feedback On Suppliers

Respondents were asked to select all that apply

Informal feedback	63%
Post-trip/meeting survey	53%
Social media	11%
Another method	6%
Don't collect feedback	9%

Note: 82 percent of all respondents and 91 percent of those from organizations that in 2013 spent at least \$1 million annually on T&E share feedback with suppliers.

### Methods Used To Manage Travel & Meetings Supplier Relationships

Respondents were asked to select all that apply

All respondents	\$1M+ T&E spending
Periodic review meetings	
62%	72%
Service-level agreements	
52%	60%
Key performance indicators	
40%	51%
Supplier scorecards	
20%	25%
Third-party audits	
17%	23%
Two-way supplier-buyer performance scorecards	
15%	17%

### More Carrots Than Sticks

Portion of respondents using penalties and/or rewards in service-level agreements

All respondents	\$1M+ T&E spending
<b>Travel management company</b>	
29%	34%
12%	13%
<b>Airline</b>	
6%	5%
24%	21%
<b>Hotel</b>	
5%	4%
14%	10%
<b>Car rental</b>	
6%	7%
17%	16%

## Evaluating Preferred Supplier Relationships

Assessing importance of and satisfaction with relationships with primary supplier in each category, based on ascending six-point scale in which 1 is “not important”/“not satisfied” and 6 is “very important”/“very satisfied”

■ IMPORTANCE ■ SATISFACTION

	Favorable pricing	Complaint/ problem resolution	Quality of service	Quality of communications
Airline	5.40 / 4.08	4.95 / 4.13	4.98 / 4.11	4.62 / 4.26
Hotel	5.53 / 4.45	5.31 / 4.72	5.58 / 4.84	4.91 / 4.32
Car rental company	5.42 / 4.55	5.16 / 4.70	5.21 / 4.61	4.53 / 4.32
Travel management company	5.25 / 4.56	5.40 / 4.66	5.65 / 4.78	5.18 / 4.47
Online booking tool provider	5.05 / 4.41	5.07 / 4.17	5.32 / 4.41	4.78 / 4.18
Expense mgmt. tool provider	5.17 / 4.40	5.11 / 3.81	5.39 / 4.42	5.00 / 3.93
Other ground transportation co.	4.89 / 4.29	5.19 / 4.42	5.47 / 4.48	4.87 / 4.17
Meetings mgmt./planning co.	5.22 / 4.58	5.16 / 4.73	5.62 / 4.83	5.20 / 4.66
Meetings mgmt. tool provider	4.70 / 4.73	5.25 / 4.40	5.46 / 4.20	5.22 / 4.38
Audiovisual company	5.36 / 4.61	5.24 / 4.55	5.60 / 4.88	5.20 / 4.53
Destination management co.	4.87 / 4.40	5.03 / 4.47	5.30 / 4.65	4.90 / 4.45

	Special assistance/ waivers/upgrades/ VIP services	Product/ process improvements	Quality of data	Overall value of the relationship
Airline	4.80 / 4.11	4.29 / 3.83	4.46 / 4.07	5.12 / 4.41
Hotel	4.63 / 4.47	4.39 / 3.96	4.47 / 4.13	5.32 / 4.69
Car rental company	4.42 / 4.40	4.17 / 4.08	4.42 / 4.28	5.02 / 4.80
Travel management company	4.46 / 4.41	4.65 / 4.21	5.14 / 4.36	5.57 / 4.76
Online booking tool provider	3.74 / 3.92	4.93 / 4.02	5.42 / 4.65	5.09 / 4.56
Expense mgmt. tool provider	3.61 / 3.94	5.18 / 3.97	5.59 / 4.60	5.28 / 4.30
Other ground transportation co.	4.58 / 4.34	4.29 / 3.86	4.16 / 4.16	5.07 / 4.64
Meetings mgmt./planning co.	4.15 / 4.33	4.45 / 4.08	4.90 / 4.28	5.25 / 4.85
Meetings mgmt. tool provider	3.74 / 4.33	5.21 / 4.33	5.46 / 4.40	5.39 / 4.53
Audiovisual company	3.75 / 4.50	5.51 / 4.36	5.56 / 4.33	5.24 / 4.87
Destination management co.	3.69 / 4.25	4.29 / 4.00	5.53 / 4.26	5.00 / 4.58