

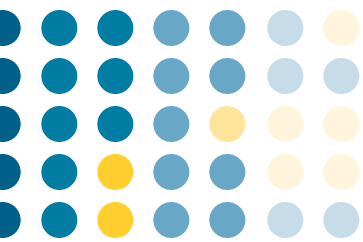
2010 RESOURCE GUIDE

KEY PROCESSES AND TECHNIQUES FOR LEVERAGING BUSINESS TRAVEL DOLLARS

BUSINESS TRAVEL BUYER'S HANDBOOK

How to work with

- TRAVEL MANAGEMENT PROGRAMS
- CORPORATE TRAVEL POLICIES
- TRAVEL MANAGEMENT COMPANIES
- GLOBAL TRAVEL PROGRAMS
- AIRLINES
- HOTEL COMPANIES
- CHAUFFEURED TRANSPORTATION
- CAR RENTAL FIRMS
- CORPORATE TRAVEL AUTOMATION
- CORPORATE PAYMENT SYSTEMS



Editor's Note

After a year in which most companies exercised an unprecedented level of travel cost control, travel decision makers had the attention of senior management and travelers as they changed policy, reexamined relationships and altered strategies.

Tracking every expense is critical to controlling cost and the basis for effective negotiating. In a world where acts of terrorism, volcanic activity or disease can close down air traffic without notice, travel managers also need to track every traveler and provide them with emergency assistance. Rapid changes in corporate travel consolidation, globalization, automation and government regulation further complicate strategic travel planning.

The year's Business Travel Buyer's Handbook represents a two-decade effort to hone a comprehensive description of key travel management processes, techniques and questions. *BTN* editors and sources, including many of the 30 members of *BTN*'s editorial board, helped fine-tune this 20th edition. We appreciate all the contributors over the years who have helped explain how to put together internal processes and work with travel suppliers.



—David Meyer, editor-in-chief

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Structuring A Travel Management Program

BY DAVID MEYER

Pressures to control corporate expenses and maximize their value have given those responsible for travel more attention from senior management and business travelers for a robust and clearly defined managed travel program than ever before.

In addition to cost control, cohesive travel management programs provide corporations with mechanisms to support business objectives, manage supplier relationships, ensure traveler safety and security and adapt to the rapidly changing business travel marketplace.

To build a program that can deliver all that requires a strategic vision, reliable data and continuous communications. By obtaining internal support throughout the company and throughout the process, travel buyers can achieve significant program compliance, which contributes to increased cost savings and higher service levels for employees and corporate customers.

By incorporating the company's culture into the configuration of travel management policies and procedures that support its business missions and working in concert with internal and external partners, travel buyers can ensure that they have a comprehensive blueprint from which they can develop a sturdy managed corporate travel program.

The following is a guideline for a well-constructed program:

I. SCOPE AND REACH

A. A travel management program can be initiated by a decision at corporate headquarters, with support from regional headquarters or within a branch of a company. A corporate governance board, internal audit or compliance department can be useful in garnering travel program support. Fundamental components of successful travel management programs include a written policy, well-negotiated supplier agreements, the implementation of a travel procurement system, a management information system that provides pre- and post-trip data, an online booking tool and a payment and reimbursement system.

1. Service and savings benefits must be measured, reviewed and communicated regularly with key company stakeholders. An important step is to internally compare spending levels and policy compliance to determine travel management goals and objectives.
2. Using available data, you should measure supplier performance against defined contract targets. Such initiatives can be undertaken with the use of service-level agreements with travel management companies and quantifiable data from benchmarking tools.

B. Implementation strategy

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

2. Draw up a timeline for every step and specify who is responsible for each component with set deadlines. Define implementation objectives and the parameters that will be used to quantify the level of success ultimately achieved.
3. Many corporations concentrate initial travel management efforts at headquarters or within a core group of operating units already linked by established lines of authority, communication and shared policies. In larger corporations, a travel or procurement manager often directs the program from corporate headquarters, sometimes with the help of a travel committee or council of representatives from the operating units participating in the initiative.
 - a. A cross-functional council can help broaden support, as its decisions are seen as supporting company goals, not just those of certain departments.
 - b. Another option is a three-tiered committee, with one group composed of senior managers from various geographic and functional areas, a second tier of the employees who would implement the program and a third group of procurement or travel-related personnel.
 - c. For global programs, create a committee of regional and local representatives aligning with the global footprint.
4. Distribute a statement of senior management support, optimally mandating usage. Executive support also is useful to clearly define roles and responsibilities with such departments as human

1 SCOPE AND REACH

2 TRAVEL ARRANGEMENTS

3 TMC OPTIONS

4 CENTRALIZATION

5 OPERATING CONFIGURATIONS

6 MAKING THE DECISION



resources, legal, procurement, security and travel, which will avoid any confusion going forward of where responsibility lies.

5. Ensure you have full IT support and access to the company intranet and communications tools.
 - a. Connections to HR and other database feeds will make the uploading of data into the agency simpler, and you can use these capabilities to promote the program and leverage support from senior management.
 - b. Dedicate intranet space to promote preferred vendor agreements, security alerts, news and policy changes. Ensure that the pages are not too one-country-centric and that all regions are covered. Depending on company culture, give consideration to local language pages, at least at a summary level.
- C. Methodology for supplier evaluation and selection
 1. Study your enterprise's geography, cultural orientation and most-frequented destinations.
 2. Secure support from senior management on the proposed travel policy and how it will take into account such matters as acceptable classes of service and quality of hotels.
 3. From past records of travel activity, identify specific vendors frequently used by travelers in each destination, including hotels, ground transportation providers and airlines. Identify alternative suppliers that could support similar services.
 4. Compare vendor costs by reviewing credit card and expense reports, consultants, industry benchmarking groups, peers, travel management companies and the Internet.
 5. For your top 20 to 100 destinations, depending on company size and travel patterns, develop a proposed list of preferred vendors. If you don't have experience with specific locations, consult travelers, peers or supplier contacts who have. Provide those suppliers with a formal solicitation or informal request with projections of travel volume, total expenditures, service expectations and any pricing guidelines you might have. The more spend you can leverage, the better preferred pricing will be, especially if you can mandate a policy.
 6. Provide for primary and alternative sources of supply, especially for air,

ground transportation and lodging.

7. If possible, consider negotiating with one supplier for multiple destinations. Leverage volume for hotel chain agreements and multi-city car rental agreements, and consider regional or global air alliance contracts as well as smaller local airline agreements to ensure comprehensive route coverage
8. Require contracts with defined service-level agreements to facilitate performance measurement. Ensure any marketshare or revenue targets are achievable and constantly monitored for changes. Establishing viable expectations enables organizations to creatively manage travel expenses without sacrificing long-term supplier relationships.



II. TRAVEL ARRANGEMENTS

- A. Traditionally, travel arrangements were handled by calling a travel agent on the telephone to assist. Except for some VIP services, complex multi-sector or international bookings and in some service-oriented industries, this more expensive option gradually is being replaced by the use of online booking tools.
- B. The majority of corporations have installed online booking tools, most in conjunction with travel management companies. The tools access inventory from global distribution systems and directly from suppliers, and travel management companies typically charge lower transaction fees for such bookings.
- C. Although second only to telephone bookings for costly labor involvement, some companies use e-mail to place requests with their agencies. This allows bulk processing and reduces traveler time devoted to trip planning. It also provides an audit trail of prior requests and communications

between the traveler and agent, which many think tends to improve service.

- D. Interactive voice response is an alternative for completing certain types of transactions, particularly those with easily definable parameters. More cost-effective than an offline agent-assisted reservation, this time-consuming and often high-maintenance system may result in negative traveler feedback, particularly when purchasing a complex trip.

III. TRAVEL MANAGEMENT COMPANY OPTIONS

It is essential to establish corporate requirements and expectations before making a travel agency decision. This facilitates the choice between a blended or single solution to achieve the objective.

- A. Single source provider, in which one travel management company handles all client requirements in all locations
 1. Advantages
 - a. Accountability is assured.
 - b. A single source for all travel management information can facilitate successful supplier negotiations.
 - c. Single account management and administration may cut overhead costs.
 - d. Concentrating purchasing with one agency allows a company to more easily move marketshare to meet contract goals or maximize cost savings, especially by using the agency's preferred suppliers if they align with the client's needs.
 - e. Policy administration can be more consistent when common systems and procedures are used for booking travel and reporting expenses.
 - f. Installing and upgrading technology is easier. Standardization of processes and services is more effective when all agency operations are consolidated with one travel management company.
 - g. Many agencies can route calls from one work group or reservation center to another as backup or in emergencies, or actively network centers across multiple time zones to ensure more efficient and productive use of counselor staff.
 - h. Dissemination of changes and updates is easier when information is transported through one agency.
 - i. Online booking tool implementation and deployment can be easier through one centralized point of con-

tact, especially for providing training and support.

- j. Standardization of traveler profiles, management information and reporting is easier through one agency.

2. Considerations

- a. An agency's geographical coverage does not guarantee consistency. It can be a challenge to ensure uniform procedures are followed and quality maintained in a multi-branch organization. Some countries preclude multinational travel management companies from owning offices.
- b. A single agency, especially one handling a multinational account, may not employ a single management information system format. Some agencies do not use common systems, nationally or internationally.
- c. A company does not have to choose a mega agency for broad geographical coverage. Many super-regional, regional and local firms serve accounts using networked automation, online technology and virtual operations.
- d. Divisions, branches and international locations might resent giving up familiar agency relationships, particularly ones that share local language or dialect.
- e. Advances in travel management technology make the use of multiple agencies more feasible. Third-party data management companies can consolidate global spending and reservation data, even from multiple vendors.
- f. Using multiple agencies allows a travel manager to take advantage of a potentially larger selection of service and product offerings, thereby reducing corporate vulnerability and providing a backup for service or financial issues.
- g. Different travel management companies may have conflicting preferred suppliers, which can impact any shared financial considerations.
- h. Use of minority- or woman-owned agencies can support corporate diversity goals.
- i. Use of a third-party data consolidator can aid in supporting multinational and multiple-agency programs.
- j. Understand payment systems and how travel is expensed. Centralized billing may not be possible in some countries. Privacy laws and financial regulations may preclude your company from using the same payment

system in other countries.

- k. Determine the travelers' after-hours support requirements. If the travel management company outsources or offshores these services, identify the location and verify telephone operating capabilities and possible language and local barriers. Investigate billing procedures for after-hours call volume. Make sure the after-hours team has access to daily operation records and traveler profiles. Verify that data privacy controls are in place, especially with home-based and after-hours agents.

- B. Multi-source solution, in which a corporation's different regions or divisions use their own travel management companies, and units cooperate in preferred vendor programs and follow a common policy. The corporation centrally consolidates management information from various units through a travel agency or a third party. In another variation, a corporation designates two or more travel management companies as acceptable and allows individuals or business units to choose among them.**

1. Advantages

- a. Business units get a measure of autonomy, as the local provider may have a better base of knowledge of local suppliers, nuances and culture.
- b. It can be easier to structure and manage agency relationships to meet needs of different business units.
- c. Creates competition within agencies that can be used to leverage additional services.

2. Considerations

- a. Coordinating the use of multiple agencies will require a team approach. Designating a lead agency may aid coordination and standardization.
- b. The technical challenges of merging management information require a considerable investment of time and money. However, data consolidation systems and expertise are becoming more readily available from automation suppliers, travel agencies and the Airlines Reporting Corp., which can consolidate and manage travel management information from multiple sources.
- c. If the company uses a single corporate charge card for travel purchases, data can be gathered from the card supplier, which can replace most elements of agency and supplier data. Card data may be more useful than

agency data since it represents actual spend versus booked information, and some bookings are not made through the preferred travel management company.

IV. CENTRALIZATION

With a single travel management company, a corporation can organize its reservation and service operations.

- A. Centralized: All locations use a single site for all reservations and ticketing.**

1. Advantages

- a. Eliminating supervisory and administrative costs of operating multiple sites can reduce overhead costs.
- b. Communicating policy changes to the travel management company is more efficient. Policies can be applied with consistency and policy changes implemented more quickly and efficiently.
- c. Central reservation offices usually are first to get new technologies, such as automated booking and telephonic systems, and can distribute costs among many accounts, but you may be paying for something you cannot or will not use.
- d. The company may benefit from service consistency, which is harder to attain with a decentralized operation.
- e. Centralized accounts often merit a reservation team dedicated to the account, which impacts cost.
- f. Efficiencies of scale tend to hold down costs.
- g. Performance standards are easier to establish and measure in a centralized corporate environment.

2. Considerations

- a. A dedicated team should maintain personalized and consistent service through its understanding of policies and procedures.
- b. Team segmentation should reflect the business culture and dynamics of its customer. If the company operates in business units responsible for their own profits and losses, it can segment teams by business unit, or it can segment teams by corporate brand.
- c. The TMC's telephony and technology systems should allow for the balancing of call volumes to maximize economies of scale.
- d. Dedicated teams require training specific to the company's needs and expectations. Make sure to budget training expenses and time. Consider

using travel alternatives to reduce training costs.

- e. Depending on the operation's location, there may be a toll-free reservation number at the agency or corporate headquarters, a dedicated extension on the corporation's nationwide telephone network or an automated e-mail or intranet-based system.
 - f. Telecommunication strategies, such as phone trees and multiple phone numbers, can create more personalized service for large groups.
- B. Decentralized: Different branches of the corporation use different agencies for reservations and ticketing, and management data is aggregated at a central point.**
1. Advantages
 - a. Employees may be more comfortable with local service, a key benefit in international locations, especially with language and holiday considerations.
 - b. Local agents are familiar with the hotels, transportation and meeting space in their markets.
 2. Considerations
 - a. Inconsistent service
 - b. Difficulties in maintaining policy and aggregating data, which may be reported differently by different travel management companies
 - c. Possible cost increases due to multi-source purchasing
 - d. Potential inconsistency in training and communication
 - e. TMCs' capabilities are inconsistent.
- C. In a regionalized program, company branches either use multiple agency branches or a single location for the region.**



with vendors, or relies on the agency to be its liaison to vendors and negotiate discounts.

4. Advantages
 - a. Common costs are variable and based solely upon use. For example, a company will only reimburse for services required at a necessary time.
 - b. Corporate overhead expenses and headcount are minimized. Technology cost is spread among different customers.
 - c. Central reservation centers can be located outside of large urban areas, where overhead costs are lower.
 - d. With sufficient volume, the corporation might have a dedicated team of reservation agents, and additional staff can be deployed during peak periods. In slow periods, dedicated staff can be deployed to other accounts, reducing labor costs.
 5. Considerations
 - a. If an account is not large enough, it might not warrant a dedicated team or command special attention.
 - b. Agency staff may be less knowledgeable about the company's policy and preferred vendors.
 - c. As support team size increases, inconsistencies could develop.
- B. Dedicated agency branch**
1. Provides a full-service off-premises site, often near the corporate location. This potentially can be the most costly travel management company offsite configuration because it involves the exclusive use of facilities and personnel.
 2. Assures the account exclusive local branch attention
 3. The agency branch is assigned a unique ARC number, which facilitates accounting and collection of travel management information.
 4. Extra care must be extended to ensure adequate training and familiarity with industry changes.
- C. Full-service, onsite agency branch**
1. The agency operates a branch on the corporation's premises, with agency employees providing full service.
 2. Advantages
 - a. A company's interoffice mail system can be used for document delivery.
 - b. Integration of the travel operation into the company's communications network may be easier.
 - c. Exclusive attention to the corporate account and a perception among travelers that service is better
 - d. Fast access to travel counselors for urgent requests and troubleshooting
 - e. The company has closer control over agency service standards and travel policy application.
 - f. ARC assigns a separate ARC number to the agency location, facilitating accounting and the collection of travel management information. The ARC number belongs to the agency.
 3. Considerations
 - a. Costs for facilities and communications are part of corporate overhead. Most costs for the onsite program are fixed and are paid even if unused.

V. OPERATING CONFIGURATIONS

A corporation must choose whether to handle reservations on company premises or at an agency location, and by its own people or outsiders. With fee-based pricing the prevalent model, companies can evaluate decisions about operating configurations in clear cost and service terms. There are several forms of travel management operations:

- A. Full-service, off-premises agency**
1. Travelers or arrangers contact a travel agency or a company travel center to make reservations.
 2. The agency provides clients with management information, as well as analysis of and recommendations for program enhancement opportunities.
 3. The corporation negotiates its own discount programs and works directly

b. If the agency employs only one onsite agent, the company must provide for backup or telephone rollover during busy times, illnesses and vacations.

1. With the emergence of more affordable telephony systems and reporting software, staffing should be associated with telephone call statistics. These statistics will help to identify performance requirements for the expected numbers of calls per agent per day, taking into account acceptable hold times, transaction completion time, acceptable callback and abandon rates and other performance measurements.

2. Staffing analysis, assessments and remedies should be outlined in the agency contract, along with performance measurements.

c. Travel agency employees working at a corporate site can feel isolated. Agents must continually train and may need onsite staff to rotate.

d. Employees may tend to visit the onsite agent rather than use the phone or self-booking tool, which may increase transaction time and hurt employee and agent productivity.

e. Having an onsite could negatively impact online booking tool policies.

f. Employees at the onsite usually are more satisfied than those in the field, who may encounter voicemails or experience protracted waits on hold.

g. Small corporate onsites may be last to get advanced technology tools.

D. Outplant

1. Although becoming less common, reservations made at on-premises reservation centers staffed by either corporate or agency personnel are queued to an off-premises agency location for ticketing.

2. For a one-person travel department, an outplant can relieve some of the workload by shifting ticketing to the agency. This arrangement lets the company provide onsite service without adding staff.

3. There can be advantages to the agency in controlling ticketing, such as concentrating volume at an agency office.

4. Considerations

a. The corporation does not have its own ARC number, so it is difficult to uniquely track travel activity, but some outplants can obtain one.

b. Reliance on an offsite agent to issue

tickets and prepaid vouchers

c. This configuration can have challenges with using the agency's technology due to firewall issues.

E. **Hybrid: A dedicated offsite reservation team complemented by a client service representative, VIP agent, ticket processor or account manager onsite. The offsite team handles basic services, while onsite agents work with senior-level executives to troubleshoot, etc. Service levels are higher but costs are lower than at full-blown onsites.**

F. **Online-originating agency: Online-originating travel management companies—notably Egencia, Orbitz for Business and Travelocity Business—are focused on low transaction fees for online booking service. However, the Internet TMCs now have full offline support services, and the legacy mega travel management companies now do more online transactions than the online-originating agencies.**

G. ARC-accredited Corporate Travel Department

1. The Airlines Reporting Corp.'s Corporate Travel Department program provides a corporation direct access to its central reporting and settlement processing systems. The CTD purchases travel services for its own employees, but may not serve the general public. A CTD can outsource most, some or none of its travel functions. The only function it cannot outsource is the actual legal and fiduciary agreement between the CTD and ARC. The location of the CTD can be on the corporation's premises or outsourced to an agency location.

2. The corporation can determine its own operational configuration, with or without the support of a travel management company.

3. The corporation manages suppliers or acquires automation to add value.

4. Advantages

a. The company retains all earned commissions. The collection of hotel commissions is enhanced because commission checks are sent to the CTD address. The CTD configuration provides enhanced transparency of transactional income.

b. The company controls its own data and has immediate access to information for ongoing reporting, ad hoc purposes and integration into other corporate systems, such as the general ledger or enterprise system.

c. The company can unbundle services

to multiple vendors, assuring best-in-class products and lower transaction costs. However, savings could be offset because unbundling requires further management.

5. Considerations

a. A smaller corporation might find it cannot earn as many incentives or commissions on its own as can a large agency.

b. As an ARC-appointed entity, a Corporate Travel Department's airline information is isolated and identifiable. This information is available to the airlines via ARC.

c. As airlines aggressively manage corporate discount programs and commission programs no longer contribute meaningful revenue, it is unlikely the Corporate Travel Department will operate as a profit center.

d. Unless the company is in the travel business, a Corporate Travel Department is not a core business service and will require a unique set of in-house or outsourced skills.

e. There are costs associated with becoming and maintaining a CTD, including annual ARC fees, initial bond requirements and training or hiring a certified ARC specialist to qualify for the program.

H. Centralized service location ARC appointment

1. All travel booked by the travel reservation center is associated with the centralized service location ARC number, providing the corporation and its suppliers with detailed information about travel activity.

2. Advantages

a. Allows the corporation to segment travel activity in a service center

b. Hotel commissions are paid directly to the centralized service location.

c. Transactions can be isolated in the operation and supported like an onsite operation with dedicated staff.

3. Considerations

a. The centralized service location is reliant on the travel management company for reporting, if the corporation does not buy a tool or adopt an internal data aggregation and reporting process.

b. The centralized service location should ask the travel management company for a copy of the ARC report submitted against its designation as the primary source document for reconciliation of activity.

I. Rent-a-plate

1. An on-premises operation staffed by corporate personnel that provides reservations and ticketing.
2. The corporation pays a fee to the agency to use its airline plates.
3. Typically, agency contracts in rent-a-plate configurations are on a fee basis, in which a corporation receives credit for commissions received by the agency and then pays the agency for services.
4. This configuration allows corporations to handle many traditional agency services, perform their own data analysis and develop their own vendor programs
5. Advantages
 - a. Greater control of service, policy administration and daily operations
 - b. Travelers and arrangers communicate with the travel department through familiar company channels.
 - c. Travel department staff and travelers have a common corporate purpose and style. This can help encourage buy-in.
 - d. A corporation with unusual travel patterns and destinations can train agents in its unique needs.
 - e. Being part of the same organization enables problem resolution with few complications.
 - f. The travel department is on hand to keep the corporation up to date on changes in the travel industry.
 - g. All data about travel patterns and the destinations of individual travelers remain in the corporation.
6. Considerations
 - a. The corporation increases its headcount and takes on the job of hiring.
 - b. Corporations often pay higher salaries and benefits than agencies.
 - c. The corporation must manage facilities and other overhead expenses.
 - d. The company must keep abreast of industry developments, determine which best-of-class elements to include and train its team accordingly.
 - e. This model is rarely used.

spending or acquire the best value in services. The program should work cohesively with the corporation's own initiatives. The prospective return on investment needs to be identified, calculated and reported as the program progresses. The company also should involve senior management in other corporate departments, such as information technology, human resources, security and facilities management.

1. The company should conduct a comprehensive analysis to understand travel policy in terms of the company's overall strategy and to create a baseline for future assessments.



2. Consider conducting a benchmarking study with companies with similar travel and entertainment costs and patterns, especially firms in the same industry. Such a study should seek to measure successes in terms of the corporation's primary travel goals and how the travel management setup influences results. Try to discover which practices would best serve strategic values and goals.
 3. The company should consider its travel volume when determining which travel management configuration will work best and take a close look at its branch offices.
 4. The corporation should ensure that the cost of administering the program does not exceed acceptable limits.
 5. To help determine the optimum configuration, issue an agency request for proposals that asks for multiple configuration and pricing options.
- B. The corporation also should evaluate its own resources in choosing a travel management configuration.
1. Human resources

- a. Management: Will the corporation assign or hire a full-time travel manager to oversee the program or designate an employee with other professional responsibilities? If a part-time position is used, ensure sufficient time is allocated to manage the program.
- b. Staffing: If a corporation is considering a configuration that requires hiring agents and travel department support staff, are qualified people available? What are prevailing wages and benefits? Can an online booking tool or other technology replace some of the headcount?

2. Facilities: Does the corporation have space to house a travel operation? Is it situated conveniently? Can the facility be outfitted with telephone lines, computer workstations and other technological and facility upgrades? Is there room for expansion if the corporate travel budget grows? What is the business continuity plan? How can the service be scaled to support a major travel disruption?

3. Technology: Can the IT strategy currently in place accommodate travel reservation and management information tools? Will management information resources be allocated to support implementation and ongoing development? Does the corporation want to own its tools or traveler profiles or use those of an agency or other third party? Are there any security or firewall issues to be considered?

4. Some corporations are sensitive about the impacts of contracting and hiring decisions upon their communities and customers. What will be the impact of purchasing or setting up an agency or accredited Corporate Travel Department rather than continuing to use existing suppliers?

C. Is the corporate culture one of self-sufficiency or one of focus on core businesses, where ancillary services are outsourced? Do security considerations discourage nonemployees on the premises or require corporate control of travel decisions and information? How technologically savvy are employees? Do they have access to a corporate intranet travel site?

Managing director Mick Lee and the Citi global travel department provided assistance for this report. ■

VI. MAKING THE DECISION

A. When planning a travel management program, establish a vision, set goals and priorities, identify travel purchasing process improvements, seek ways to enhance the comfort, safety and productivity of travelers and establish strategies to reduce travel

Establishing A Corporate Travel Policy

BY JAY BOEHMER



1 QUESTIONS TO ANSWER

2 MAKING TRAVEL ARRANGEMENTS

3 AIR TRAVEL POLICIES

4 LODGING POLICIES

5 GROUND POLICIES

6 INCIDENTALS, MEALS AND ENTERTAINMENT

7 PAYMENT METHODS

8 EXPENSE REPORTING AND REIMBURSEMENT

9 MISCELLANEOUS



In times of heightened corporate fiscal discipline, when cutting costs becomes the more likely avenue to achieving profitability than growing revenue, managing travel expenses becomes a rallying cry among C-level executives. The chief financial officer is never as interested in travel as during a recession, buyers learn in every down cycle. In the past 18 months, corporate travel managers once again were in such an environment, and many took the opportunity to rewrite corporate policy, strengthen its language and bolster its enforcement. No longer were travel policies forgotten pieces of paper collecting dust in final pages of the corporate handbook, but rather they were documents of consequence, something travelers sought out to stretch their travel dollars or keep their names off of any list of mavericks that may pass the CFO's watchful eye.

Still, if downturns are marked by senior management support to lower travel expenses and traveler-level buy-in to adhere to corporate guidelines, then upswings are marked by the opposite: CFOs who turn their eye toward the revenue side of the equation and travelers who revert back to the comforts of their expense accounts.

As the backbone of a corporate travel program, travel policies remain as varied as the companies that implement them. Whether they are mandates or suggestions, homogenous or varied by region, fit to a single page or span several, the travel policy serves as the primary conveyance of corporate culture to business travelers.

However, policies are nothing if they are not strongly enforced, and that support should come from every level of the organization, from the CFO to the mid-level manager, from the most frequent flyer on down to the rank-and-file traveler. Policies, and their enforcement, vary from company to company based on size, industry, corporate culture and amount of travel, but the following outline will help establish a policy to help streamline travel processes:

I. QUESTIONS TO ANSWER

A. Who should write and update the policy?

1. One person with extensive knowledge of the travel industry should be the sole publisher of the document, but collaboration with various company entities will improve buy-in and support.
2. A committee of people from various departments, including accounting, administration, finance, human resources, strategic sourcing, and any department with a high frequency of travel. The committee should make recommendations to a policy writer for implementation and seek traveler input on the impact of policy decisions.
3. A high-ranking executive: a key department head, the chief financial officer, chief executive officer or chairman. It is most effective to include a letter of support from C-level executives when communicating company travel policy.
4. Different people at different sites or divisions: For global policies, having representatives from all involved countries often helps win support and improves compliance.
5. A combination: The travel manager writes the policy for approval by a com-

mittee and senior management.

B. Who should be subject to policy?

1. Only employees at headquarters or whichever location is issuing the policy. This is the easiest policy to administer, but differentiating travelers based on location can be difficult for companies seeking consistency.
2. Employees at any domestic location, division or branch: This offers greater cost control, but could interfere with autonomy for individual units and locations.
3. All employees, including those in international locations: This should take into consideration that travel expenses are more difficult to track internationally as laws and cultures could make it impractical or inadvisable to mandate adherence to various policies.
4. The policy should stipulate that individual travelers and groups are subject to identical policies. Some companies, however, may want to cover groups, conferences and meetings under a separate policy.
5. The policy should apply to anyone traveling on company expense. This includes consultants, job candidates, customers and subcontractors.

6. Institute an umbrella policy for all employees that divisions individually can restrict, if necessary, but not relax.
- C. Should policy apply equally to all levels of employees?**
1. Yes: This sends a message that management is serious about controlling costs.
 2. No: Special consideration should be employed for high-ranking executives and others whose time is most valuable from a financial perspective and who have specific security issues. Some companies also may allow special handling of frequent flyers, usually defined as those traveling over a certain mileage threshold or spending a defined number of nights on the road during a 12-month period. It can be good for morale to recognize road warriors, but such programs require more administration and are subject to the risk that some travelers may take unnecessary trips.
 3. To ensure business continuity in the event of a disaster, many companies consider it a best practice to restrict the number of key executives to no more than two or three who may travel together on a single aircraft, ground transport or ship. Some corporations also restrict the number of employees at any organizational level on one aircraft. This is particularly crucial when traveling to meetings.
- D. How forceful should the policy be? This is a major company-culture consideration and completely subjective.**
1. Wording can clarify that policies are mandates and that violators will be dealt with harshly, up to and including denial of reimbursement or termination. If this option is chosen, the policy specifically must address how to treat exceptions to policy to cover unplanned occurrences.
 2. Present policies as guidelines, with explanations required when the guidelines are not followed. Many policies are moving away from referring to guidelines, recommendations and suggestions and simply saying "policy." The word "should" may be less appropriate than the word "will."
 3. Present policies as standard procedures carrying the official stamp of company approval, with the signature of the chief financial officer or chief executive officer.
 4. Under Sarbanes-Oxley regulations,



policies presented as mandates should be enforced to avoid the risk that control procedures could be misleading or not measurable.

- E. Should there be an international policy or should individual countries have separate policies? A comprehensive policy should be consistent, but also should consider cultural nuances. If travel expense or management information system data is available, then an umbrella policy with individual country addenda could be best. Companies often institute regional policies where there are common travel requirements and culture.**
- F. Because international travel is both more expensive and demanding than domestic travel, should there be a separate policy covering it? International travel policies can differ, depending on the countries visited and the length of the business trip. Whether or not a separate travel policy has been established, the primary policy should cover such issues as passport and visa acquisition, health certificates, security and emergency services. This information should be readily available to all corporate travelers and provided by your travel management company or third-party security provider on a per-trip basis.**

II. MAKING TRAVEL ARRANGEMENTS

- A. Should corporate travelers have choices when making travel arrangements? If travelers have broad discretion, transactions may take longer and cost more, and less policy control can be exerted. Reservationists and online booking tools are**

geared toward selecting the least costly services compatible with policy and preferred supplier relationships. Check with your legal department regarding liability before limiting options to one preferred carrier.

- B. How should employees make their travel arrangements?**
1. Through one or more designated travel agencies. Many companies continue to consolidate with one agency. This provides a cost-control mechanism because policy is monitored and interpreted more consistently. It is easier to manage the safety and security aspects of policy by using a single provider to produce integrated management reports, which also can be used in negotiating discounts with suppliers.
 2. Through company travel agents who make arrangements through corporate-approved channels.
 3. Through online booking systems, which can be designed to encourage the use of preferred suppliers by highlighting them or by offering travelers no other options. If using a corporate booking tool, consider prohibiting use of public websites to avoid intentional bypass of booking policies and access to preferred, negotiated pricing from vendors.
 4. Policy may specify that anyone planning a meeting with a defined number of attending employees, often 10 or more, report the event to the company's meetings or travel department or agency so that the company can take advantage of negotiated group

discounts and ensure the proper application of the travel policy.

5. Policy should encourage travelers who take at least one trip a year to complete a profile to be included online or in the agency's global distribution system. Integration between human resources, finance and other sources of personnel and corporate information is preferred. Some corporations have established an electronic data feed from the human resources department to the travel management company to maintain profiles. The travel management company should provide tools to alert travelers of expiring credit cards, passports and visa information.

C. When should trips be planned?

1. As far in advance as possible: It may be difficult to have precise rules, but booking as soon as travelers know they'll make the trip can improve chances of obtaining lower advance purchase airfares.
2. Consider taking advantage of advance purchase airfares by requiring approval of a supervisor or other manager for booking within seven or 14 days of departure.
3. Many companies send automated notifications to travelers and their managers indicating the money the traveler could have saved by booking a trip in advance.
4. Increasingly, companies ask employees at the time of booking to consider such travel alternatives as remote conferencing, particularly for non-client facing travel to help curb unnecessary trips.

D. Is pre-approval by an employee's supervisor necessary?

1. Yes: Requiring approval enables a supervisor to rule that a particular trip is unnecessary or too expensive. However, for an online reservation, beware that requiring pre-approval normally may qualify as a touched booking, potentially adding cost to each transaction.
2. No: Requiring pre-trip approval can create bottlenecks as travelers await managerial authorization.
3. Many companies compromise by relying on pre-trip notifications that alert managers that a trip has been booked, but do not require approval.
4. Others rely on pre-trip exception reports from their travel management

company that list travelers who have made reservations out of policy, forcing individuals to apply business reasons for exceptions in real time. Providing monthly or quarterly exception reports by department can highlight problem areas. Often, just knowing such reports exist improves traveler compliance.

5. Some companies employ the use of verbal approval from the traveler's managers prior to booking a trip.
 6. Approval should not be obtained from so high up the corporate ladder that the most senior executives are spending valuable time on administrative details.
- E. What is the procedure for making emergency travel plans during hours when the agency is not open, and for changing plans en route? Many agencies have a 24-hour reservation service or a tie-in to such services. These services frequently have additional surcharges and only should be used during non-business hours, and only for emergencies or when doing so will avoid larger cancellation penalties. Use of an online booking tool can provide round-the-clock access, but guidelines given to travelers should indicate clearly whether 24/7 ticket fulfillment is available.
- F. The policy may encourage or require travelers to adjust schedules to minimize costs. These adjustments may include arranging day trips to avoid hotel costs and making advanced bookings to secure less-expensive airfares. Alternative pricing and costing options should be provided to encourage traveler participation in cost-saving opportunities. Such policies need to balance cost savings with work productivity, convenience and traveler morale.

III. AIR TRAVEL POLICIES

A. What are the air travel parameters to which your policy should require corporate travelers to adhere?

1. Use preferred airlines on applicable citypairs where price-competitive.
2. Coach is the preferred class of service domestically.
3. Travelers must choose the "lowest available or applicable airfare," or some other phrase that describes the company's view of appropriate airfare pricing levels. Define precisely what is meant by lowest logical or applicable fare. The definition may differ for domestic and international travel.

Because fare availability changes so often, many companies prefer to stipulate coach/economy class as the guiding principle. Create a comprehensive definition, detailing conditions or savings levels at which the following are required, encouraged, permitted or prohibited:

- a. Policies often stipulate finding the lowest fare within a defined travel window—typically two hours—although some companies opt for larger windows.
- b. The chance that the trip will be canceled or changed to a different date must be balanced against achievable savings from using nonrefundable fares. Usually, nonrefundable airfares save money. Travelers should be reminded to track and keep unused nonrefundable tickets, which often can be used for other trips after paying a change fee. Your travel management company should have an automated system for tracking unused tickets.
- c. Excessive transit time and delay hazards associated with connecting and one-stop flights must be balanced against potential savings. Most policies do not require travelers to change planes unless savings are significant. Indicate a minimum dollar figure, typically savings of at least \$100 to \$200 per segment and no more than two hours total elapsed time.
- d. Alternate airports often require traveling greater distances. Be mindful of inconvenience and the total cost of the trip when alternate airports are involved.
4. Some policies stipulate that senior managers may fly business or first class, or that they may fly in premium class only if a discount coach seat is not available. Some airlines offer premium economy class, business class or executive class seating as cheaper alternatives to first class. Usage of airline upgrades should be defined.
5. The policy may state conditions under which the company will pay for employees to upgrade to first, business or premium economy class travel, including:
 - a. On flights of a minimum mileage or time. While many companies use six or seven hours of flight time as their rule of thumb, mileage is a better parameter, as setting a time window

- encourages travelers to manipulate schedules, such as selecting longer connection times, to be eligible for an upgrade.
- b. On international flights. Does this include Canada, the Caribbean, Central America and/or Mexico?
 - c. When employees are traveling with a client
 - d. For employees who have physical disabilities
 - e. For employees expected to work a full day on arrival
 - f. When employees are willing to pay the difference
 - g. For frequent international travelers after their second or third international trip within a defined period of time
6. In global policies, distinguish between such policy terms as international, domestic, transcontinental, stateside and foreign air travel. Be aware that the terms coach and business are not universal.
- B. If the company or its travel management company has negotiated discounts with preferred airlines, is use of such airlines superior to other options?**
1. The company may need to attain a certain volume or citypair market-share to maintain preferred fares. This motivation must be balanced against opportunities to secure lower fares for individual trips.
 2. The company might have arranged for group airfares, usually for at least 10 people traveling to the same destination on the same day, with various restrictions attached. Policy should state that such fares should be used whenever applicable.
 3. Policy may establish preferred supplier relationships with multiple airlines or airline alliances to cover multiple citypairs. This strategy can reduce connections.
- C. Does the company consider frequent flyer awards earned while on business to be company property?**
1. Yes
 - a. Collecting awards is a potential source of savings.
 - b. Not collecting frequent flyer awards exposes the company to potential employee abuses, such as booking expensive seats, unnecessary trips or lengthy itineraries to pad mileage. This can be mitigated through tight policies on fares and carriers and specific language prohibiting employees from booking a higher fare to collect more frequent flyer points.
 2. No
 - a. The administrative burden and cost to track the accumulation of frequent flyer points and collect awards can reduce or negate savings.
 - b. Collecting awards can have an adverse effect on employee morale, particularly at companies that historically have allowed employees to keep the awards.
- D. Will exceptions to air travel policy be allowed in response to travelers' concerns about service or safety?**
1. Many travelers are reluctant to take connecting flights because of the likelihood of delays. The travel policy should specify circumstances for exceptions.
 2. Consult legal counsel before insisting that employees fly a carrier they feel endangers their safety. Some travel departments work with risk management departments to assess the safety of some carriers, particularly in those foreign markets where oversight of aviation safety is more lax.
- E. Other factors to consider**
1. Whether to allow aircraft to be chartered, under what circumstances and who must approve it: Charters might be appropriate when there is no other convenient way to get a group to a certain place at a certain time. Insurance and security departments should be involved in making this decision.
 2. If the company will pay for airline club memberships or premium services memberships for certain employees
 3. Whether the company will pay for excess baggage or luggage weight overages, and under what circumstances. Be mindful that carriers increasingly are charging fees for checking luggage when traveling coach.
 4. Whether the company will pay for insurance beyond what is provided by airlines, company insurance policies and company charge cards. Most companies do not pay for additional insurance unless a traveler is transporting company goods.
 5. A statement that employees should not travel to countries for which the U.S. Department of State or the World Health Organization has issued a travel warning or advisory. The company should provide such advisories to its travelers who have booked international trips as a matter of course.
6. Instructions for handling unused airline tickets
7. Use of a helicopter or other services for airport-to-downtown or airport-to-airport travel
8. Who can fly in company-owned or company-leased aircraft and under what circumstances and procedures
9. A statement about the company's procedure for denied boarding compensation. Clarify ownership of the voucher and/or monies and whether travelers can volunteer for compensation when flights are overbooked.
10. Alternatives to air travel, such as train, or using personal or rental cars for trips within a certain distance. Car costs may be capped by expense or distance driven.
11. Employees who are licensed pilots should not be allowed to fly passengers or themselves on business trips in their own or other aircraft.
12. Exceptions to using the agency, such as low-fare carriers' websites and direct connections. Some policies state that for tickets that cost less than a certain amount of dollars, travelers can book through those websites. However, this compromises the company's ability to manage spending, negotiate discount agreements with airlines and accurately track travelers.
13. Airlines increasingly are offering business customers a number of a la carte options, including inflight Internet, seat assignments, carbon offsets, day passes to airport lounges and many others. Consider which services the company will reimburse.

IV. LODGING POLICIES

A. How should employees book hotel rooms?

1. Through a designated agency or online booking tool: This funnels all bookings through a single source, enhancing the ability to enforce policy and capture booking data for negotiations. This also ensures that negotiated corporate or agency rate is used and the correct corporate identification numbers are applied to ensure that room nights are credited toward volume agreements.
2. It is recommended that travelers do not call hotels directly or use public

websites. On occasion, this type of direct booking can result in lower rates. However, it also:

- a. Provides no booking information or data consolidation
 - b. Undermines negotiated corporate rate agreements by diluting market-share figures, unless a tracking mechanism is established up front
 - c. Reduces commission income
 - d. Reduces the ability to locate employees en route
3. Policy should state what travelers should do if they find rates lower than those of the travel management company or booking tool.

B. How much should employees pay for hotel rooms?

1. Hotels used by company employees should be, for example, “moderately priced.” This should be defined to travelers by brand or hotel tier to show the company’s view of what is appropriate to spend.
2. Hotel rates should be below certain defined levels.
 - a. This establishes a cap on expenses. However, it could encourage employees to spend up to their limit.
 - b. Policies may address vast disparities in rates by setting different levels for each city.
 - c. Remember that using too many hotels will impact performance contracts.
3. Travelers can receive a maximum daily amount, a per diem, to spend on hotels, meals and incidentals, depending on the cost of doing business in each city.
 - a. Per diems can be based on the firm’s historical expenses or published indices prepared by the federal government, *Business Travel News* in its 2010 Corporate Travel Index or consulting firms.
 - b. Per diems ordinarily are used only for travelers’ personal expenses, such as hotel, food and ground transportation, not business entertainment expenses. These standards may vary by country.
4. Different hotel rates or categories of property are set for different lengths of stay, such as limited-service hotels for one-night stays and extended stay hotels for more than seven nights.
5. Establish a policy regarding the use of room categories above standard, such as business-class rooms, executive floors, concierge levels and suites,



which offer business amenities and services and complimentary breakfast, at a premium rate.

C. What other limits should be placed on hotel usage?

1. Encourage or mandate the use of hotels with which the company has negotiated rates or with which the company’s travel agency has preferred rates. Many companies and travel management companies have extensive hotel directories, but may mandate the use of particular hotels in a given city. Directions to use preferred hotels should stipulate that stays should be at the company-negotiated rate.
 2. Outline the circumstances under which travelers do not have to use preferred hotels. For example, when travelers attend a meeting or conference, or when preferred properties exceed a given distance from the business destination
- D. Under what circumstances can travelers stay in more expensive properties or rooms than ordinarily are permitted?**
1. Companies may offer high-ranking executives the option of staying in luxury hotels or on executive floors.
 2. Better accommodations or a suite might be appropriate if a traveler has to entertain clients or meet with staff.
 3. If the only hotels that conform to policy are too far from where the traveler’s business will take place, that may

make more expensive, nearby hotels warranted.

E. Other factors to consider

1. Whether to charge employees for no-show billings if they neglect to cancel a reservation. Policy may instruct travelers who are canceling a reservation to record a cancellation number or the name of the hotel employee taking the cancellation to help resolve billing disputes. Where possible, corporate travelers should cancel through the travel management company for a better paper trail.
2. Whether charges for personal items, such as in-room movies, mini-bar purchases, laundry expenses and dry cleaning, are reimbursable
3. Whether room service charges are reimbursable
4. Whether tips to personnel are reimbursable and, if so, how much to tip
5. When stays are for a week or longer, employees should consider weekly rates or extended stay properties.
6. If the company has corporate apartments in a city, a policy may suggest or mandate their usage.
7. For cases in which a spouse or other family member accompanies the corporate traveler, travel policy may specify that the traveler will be reimbursed only for a single room rate, or a specified percentage of the rate actually charged.
8. Whether appreciation gifts—offered when free lodging is provided by an

- other employee, a business associate, friend or relative—are permitted
9. Hotel frequent stay programs: The ownership issue is the same as for airline frequent flyer mileage.
 10. Companies should consider avoiding properties with external guest room entrances and conduct security audits.
 11. Consider the total cost of hotel stays. Some hotels may include in the room rate, parking, Internet access or breakfast and may be less costly than hotels that don't include those services in the upfront price.

V. GROUND TRANSPORTATION POLICIES

A. In what circumstances might policy suggest or require that rental cars be used or not used?

1. Use a rental car when:
 - a. It is less expensive than the use of personal automobiles, depending on the cost of mileage reimbursement and the rental car.
 - b. Less expensive means would detract from the efficient conduct of a traveler's business objectives.
2. Do not use when:
 - a. Such means of transportation would significantly detract from the efficient completion of a corporate traveler's business objectives.
 - b. Transportation is needed only between the airport and the hotel, and a shuttle service is available or a taxi or car service is less expensive.
 - c. A company-owned or leased automobile is available.
 - d. Employees are traveling to a foreign country, especially if there are concerns about road conditions, safety or special licensing needs

B. Which car rental suppliers should a company traveler use?

1. Travelers should use a single supplier or a limited number of suppliers to drive business to those suppliers with which the company or travel management company has negotiated rates.
2. When necessary, secondary suppliers—contracted to provide service in circumstances and locations where the designated supplier cannot—may be used.
3. In cases where a company has multiple suppliers, employees may be di-

rected to use specific ones in specific cities.

C. Which car size or class should be used?

1. Compact cars provide the greatest savings, but they also offer less comfort and capacity.
2. Intermediate-size cars give travelers reasonable comfort at a reasonable cost. Most policies allow for the use of a midsize or intermediate-size car.
3. Full-size or luxury cars often are restricted to company officials of a certain designated rank, those hosting clients or those of a certain height or size.
4. Hybrid cars can bolster corporate social responsibility initiatives, but rental rates can be much higher than those of other cars and availability may be difficult to ensure.
5. Varying sizes of cars: Depending on how many employees and clients are traveling together, or what equipment or supplies a traveler is transporting, corporate policy may specify that employees traveling together share rental cars.

D. How should car rentals be booked? Unless a car is needed on an emergency or last-minute basis, bookings through the online booking tool or a designated agency offer the best guarantee that the negotiated corporate rates will be booked, received and credited toward a volume agreement.

E. Should you accept an offer of damage waiver coverage?

1. No. If the company is self-insured, it receives free collision damage waivers under its contracts with car rental suppliers or is protected by company insurance that is provided under a corporate charge card program. The policy may specify that employees will not be reimbursed for purchasing such coverage.
2. Yes, if no other coverage applies. A company might not want to expose itself to the risk of paying for rental car damages or the paperwork involved.
3. No, for domestic transportation; yes, in foreign countries, due to differences in insurance laws and other government regulations

F. Should travelers buy other insurance products, such as personal accident insurance, supplemental liability insurance and personal effects

coverage? In general, no. Most companies already have insurance that provides such coverage for employees. If not, they are not likely to reimburse employees for buying them. Policy may state that employees may purchase additional coverage only at their own expense.

G. What should the traveler do following an accident?

1. Notify local authorities.
2. Notify the rental car supplier.
3. If the rental car is damaged, notify the company insurance department of the details of the accident and instruct the supplier to submit a bill for repairs to the same department, which will handle settlement.
4. Notify the travel department.

H. Other factors to consider

1. Encourage travelers to refill the gas tank of the rental car whenever possible, as car rental companies charge a premium to refill it. Some car rental vendors allow payment of an upfront fee for fuel, eliminating refueling charges.
2. Ask corporate travelers to drop off the rental car at the location it was picked up to avoid costly one-way drop-off charges.
3. Travelers should be instructed to inspect the rental car for damages and make a record of their observations to protect against the car rental company making unwarranted claims for damages.
4. Consider which add-on services, including global positioning systems or expedited toll passage programs, the company will reimburse.
5. Policies that cover the employment of company-owned, company-leased and personal cars for business travel purposes.
6. Use of an employee-owned car for business purposes, including the per-mile reimbursement rate that the company will allow for gas, repairs, depreciation, etc.

I. Chauffeured transportation

1. Policy may address the circumstances in which use of limousines are authorized. For example, when travel time is used for business by a number of travelers or when per-person cost is close to that of other forms of ground transportation.
 2. Most limousines charge by car or hour, not number of passengers. A sedan service for



airport transfers to a company's location can be less expensive and more convenient than a car rental or taxi.

- J. Other items that may be addressed under ground transportation:**
1. Procedures, policies and restrictions for use of taxis, including receipt requirements and tipping
 2. Parking expenses and tolls
 3. Train and bus travel
 4. Traffic and parking tickets

VI. INCIDENTALS, MEALS AND ENTERTAINMENT

- A. How much can employees spend on personal meals and incidentals?**
1. Up to a set per diem amount, which may vary by city or region of a country. This provides cost control and eliminates the administrative costs associated with reviewing receipts.
 2. A set daily spending limit or a fixed amount of expenditures per meal beyond which the company will not reimburse travelers.
 - a. Individual limits may be set on allowable expenditures for breakfast, lunch and dinner.
 - b. A trip's particular spending limit may be adjusted based on whether a free meal is served inflight, if breakfast is included in a hotel stay or if meals are provided at a conference or event.
 3. Allowable expenditures may vary by level of employee.
 4. Analyze current average meal spending within your company before establishing standard rates. If you set the allowable amount too high, you could expose your company to higher costs.
 5. A policy regarding telephone expense reimbursement
 - a. The use of in-room phones may be prohibited because of costly fees.
 - b. Employees may be required to use company-sponsored charge cards or their mobile phones for phone calls.
 - c. Parameters for reimbursable personal calls during business trips, such as one call with a set maximum length to one other person per day.
- B. Specify what meal expenses may not be reimbursable.**
1. Expenses for meals purchased when travel does not involve an overnight stay
 2. Expenses for entertainment



3. Expenses for meals depending on when travel begins and ends
 4. Between-meal snacks
 5. Hotel room service
 6. Alcoholic beverages with meals
- C. Specify that the highest-ranking employee present should pay for the meal and document attendees, etc.**
- D. State guidelines for personal and business entertainment and meal spending.**
1. The meal or entertainment must be for a legitimate business purpose. This is crucial for expenses to be eligible for tax deductibility.
 2. Policy may state that the average per-person cost of a business meal should not exceed a defined limit.
 3. Only certain categories of employees may entertain business guests, others may need approval.
 4. In accordance with U.S. Internal Revenue Service regulations and Sarbanes-Oxley processes, employees should be prepared to furnish names, titles and company affiliations of each person present at the meal and/or entertainment event, the business purpose served and business topics discussed, the name and location of the establishment where the meal and/or event took place and the exact amount of the expense. For entertainment events, the specific time that the business took place—such as before, during or after the event—should be provided.
5. While lunch expenses at an employee's place of work ordinarily are not reimbursable, if the employee has a business luncheon guest, the expenses of both may be reimbursable.
 6. Entertainment expenses, such as golf or tennis fees, may be reimbursable. Certain activities may be listed as unsuitable for the company to sponsor.
 7. The policy may list circumstances under which employees may be reimbursed for hosting business meals or entertainment in their homes.
- E. Specify reimbursable incidental expenses and detail the parameters required for reimbursement.**
1. Dry cleaning and laundry expenses
 2. Foreign currency conversion fees
 3. Mobile phone rentals for international travel
 4. Internet access fees
 5. Passport, visa and medical inoculation costs
 6. Business center charges, including facsimile and copy expenses
 7. Mini-bar charges
 8. Health club/fitness center fees
 9. Spa services
 10. In-room movies
 11. Additional flight or rental car insurance coverage
 12. Fines assessed for any traffic or parking violations
 13. Automated teller machines and cash advance fees
 14. Lost, stolen or damaged traveler

personal property
15. Package shipping charges

F. Other factors to consider

1. Whether the company applies different per diem levels apply to different groups or levels of employees
2. A policy on tipping
3. Conditions under which meal expenses are reimbursable when an employee works early or late at the office
4. Whether to require that expense reports break down separate expenses for breakfast, lunch and dinner
5. Types of business events that are not reimbursable: For instance, a birthday celebration may not be reimbursable, but a dinner at which company employees receive an award may be reimbursable.
6. When meal expenses of an employee's spouse or other guests are considered reimbursable
7. When liquor is reimbursable
8. Include input from human resources, legal and tax departments.

5. In defined cases, via direct billing arrangements with preferred suppliers for specific lodging and ground transportation providers

B. How are corporate charge card expenses to be billed?

1. Direct, individual billing to employee cardholders: The employee has liability. This puts the responsibility of auditing and paying card charges on employees, reducing the administrative burden on the company and providing an inducement for travelers to file timely reports.
2. Centralized billing to the corporation: The company has liability. Float is enhanced and the chance for delinquency is reduced if the company pays charge card bills when they arrive, rather than reimbursing corporate travelers who turn in expense reports sooner.
3. Central pay/direct individual bill: The company has liability. The corporation pays all bills centrally, but the company also has card vendors send individual bills directly to employees, so that they can review all charges for accuracy.
4. Centralized billing of airline expenses and direct, individual billing to employees for all other types of expenditures: The advantages of individual billing still apply and significant float is achieved. This removes responsibility for the largest share of charges from individual employees.
5. Corporate card payment systems and available services vary by country. For example, individual payment and liability is not always permitted in every country—including Russia and China—on corporate cards. Also consider cards billed in local currency, foreign language billing statements, automated teller machine fees, card fees, collision damage waiver insurance, etc.

C. Which employees should receive corporate cards?

1. Those who travel a minimum number of times per year
2. Those who regularly incur travel expenses
3. Every employee

D. Corporate charge cards should never be used to pay for employees' personal expenses, because such use offers the potential for corporate liability and skews spending data.

- E. Determine at what level senior executives should receive executive, VIP, gold or platinum corporate cards.
- F. Advise travelers on procedures for how to obtain a card and what to do in the event of a lost or stolen card.

VIII. EXPENSE REPORTING AND REIMBURSEMENT

A. What are the requirements for attaching receipts to expense reports?

1. Most companies specify that all air, car rental and hotel receipts be provided and/or expenses over a certain threshold, often \$25, require an original charge card receipt.
2. Some companies have raised their thresholds to match U.S. Internal Revenue Service regulations requiring receipts only for expenses of \$75 or more.

B. Which receipts are acceptable?

1. Corporate policy may specify types of receipts for different services, such as an itinerary copy or electronic receipt and boarding pass for air, hotel folio plus proof of payment and the receipt or corporate card charge record for car rental.
2. The policy may discourage or prohibit submitting "tear-off" receipts from restaurant bills and mandate proof of payment be presented in the form of a charge card billing statement or cash register receipt for any non-chargeable item.
3. The U.S. Internal Revenue Service accepts electronic data from charge card suppliers in lieu of paper receipts if appropriate detail is included. Some card companies and hotel chains are not able to provide full detail on hotel receipts.

C. Other reimbursement requirements to consider

1. The agency itinerary, which should identify:
 - a. Electronic or paper ticket
 - b. Hotel: approved or non-approved
 - c. Lowest hotel rate available and booked based on travel policy
 - d. Form of payment: Card type and last six digits
 - e. Booking origination: telephonic or electronic process
 - f. Whether the contracted travel agency handled the reservation process
2. For expenses incurred in a foreign

VII. PAYMENT METHODS

A. How should employees pay for travel and entertainment expenditures?

1. With a company-sponsored charge card whenever possible: This allows the company to build a travel expense database, which can help form a comprehensive picture of your company's travel patterns and volume for negotiations. It also provides a mechanism to detect instances of exception to policy.
2. With employees' personal charge cards (not recommended): This eliminates the time and costs of administering a corporate card program, but hinders compiling a complete database of expenses.
3. With cash or travelers' checks (not a recommended practice)
 - a. With the proliferation of automated teller machines and growth in the number of merchants that accept charge cards, cash advances almost completely have disappeared. In rare instances, companies still may use them for travel to developing countries or for other exceptions. Elimination of cash advances can reduce corporate travel expenses. Consider policy on a case-by-case basis.
4. With a centrally billed account for air and rail purchases



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currency, specify the acceptable conversion rate used on the report.

- The rate supported by a currency exchange receipt
- The rate reflected on the credit card statement for charges made during the same trip
- The exchange rate for the day of the transaction from a reputable published or online source

D. When must travelers file their expense reports?

- As soon as possible after the completion of each trip, often within seven days of the completion of the trip
- For frequent travelers, periodically—weekly, biweekly or monthly
- Immediately upon the purchase of an advance purchase ticket, or upon receipt of the statement
- The company may specify that employees will not be reimbursed if they do not file expense reports on time.

E. How should employees file their expense reports?

- Request all employees be prepared to disclose when, how and why expenditures were incurred and list on the expense report dates, locations visited, names and titles of persons visited and the purpose of the business trip.
- If an automated expense reporting system is available, the policy should state that use of the system is mandatory for all travelers.
- Require separate expense reports for each trip.

F. Establish whether the traveler will be reimbursed if the mandated agency or online booking system is not used.

- or post-trip audits
- Reprimand
- Placing documentation in employees' personnel files
- Delay or denial of reimbursement
- At companies where air travel is billed centrally, a requirement that violators must fund their trips and then they seek reimbursement
- Noncompliant travelers must get an exception approval from the chief financial officer, chief executive officer or division head to be reimbursed.
- In extreme cases or for repeat offenders, termination

C. Other items that may be addressed in the travel policy

- A statement of scope, goals and purpose from the chief executive officer that describes the advantages to the corporation of supporting preferred travel vendors
- A precise rundown of which company managers and officials are responsible for enforcing aspects of policy
- Information and instructions on safety and security
- Instructions on what travelers should do in the event of medical and other emergencies, especially when traveling overseas
- Procedures and requirements for borrowing company-owned computer equipment or other technology to use during trips or circumstances in which the company will buy or lease equipment for travelers
- Circumstances in which the use of remote conferencing technology is preferable to travel
- Babysitting fees
- Airline or other travel club fees
- Rules applying to charges for wireless Internet access
- Spousal travel when the spouse's attendance is required to serve business purposes
- Kennel fees
- Responsibilities of travelers, travel arrangers and managers
- Credit card late payment fees and interest charges

D. Review the corporate travel policy at least once a year and revise and reissue as necessary.

Assistance was provided by TRX Travel Analytics vice president and general manager Dan Pirnat and VeriSign global manager of employee services sourcing and procurement Yasuo Sonoda. ■

IX. MISCELLANEOUS

A. Communicating a travel policy

- Via the corporate intranet or travel website where applicable, supported by a written document
- In a user-friendly summary document
- In multiple documents covering different modes and classes of travel
- Via e-mail and newsletters
- During employee orientation
- Travel policy seminars
- In an employee handbook, along with other corporate policy guidelines

B. Policy may state specifically what steps will be taken when employees violate policy.

- Informing supervisors
- Reminders, copied to the manager
- Requiring more pre-trip authorizations

Selecting A Travel Management Company

BY DAVID MEYER



1 LAYING THE GROUNDWORK

2 GATHER DATA

3 NARROW THE FIELD

4 PREPARE AND SEND RFPs

5 EVALUATE THE PROPOSALS

6 NEGOTIATIONS

7 SIGN A CONTRACT

8 IMPLEMENT THE ACCOUNT



Business travel buyers have more at stake in choosing the right travel management company than they do in choosing any other travel suppliers, because particularly for smaller spenders TMC partners can bring clout to negotiations, help manage those other suppliers and help drive traveler use of those suppliers. In addition, travel management companies plan travel and process reservations, and provide online booking fulfillment, consulting, booking data, management reporting, technology implementation, traveler tracking and maintenance.

Entering into a multi-year partnership with the right TMC enables travel managers to focus their attention on strategic travel management, including air, car and hotel program management.

ATMC selection is not only a matter of configurations, service options and costs. Technology products also need to factor into the negotiating process. Developing concise contractual agreements and precise language is key in setting the parameters for the TMC relationship. Creating measurable service-level agreements and identifying key performance indicators are critical parts of the communications effort required to develop a successful TMC relationship.

The following outline details the basic steps in the travel management selection process.

I. LAY THE GROUNDWORK

A. Before beginning to choose a TMC, understand your company's vision.

1. Does cost or service rise above the other in importance?
2. Is the goal a regional, national or multinational program? Where are the volume densities and opportunities for earliest implementation?
3. Involve key executives to determine senior-level priorities. Solicit feedback from operating units to ensure their support.
4. Is the company culture centralized or decentralized? In a decentralized organization, ensure that all of the constituents are ready to support a consolidated program.
5. Survey traveler and arranger service perceptions to establish a performance benchmark.
6. Consider a travel management audit and technology assessment, and develop one-, two- and five-year travel operations plans. Assess how levels of self-booking and data and security needs may change.
7. Consider operational setup. Is there heavy online booking use? Does your company contract directly with an online booking tool or is it part of the TMC's offerings? Consider whether your company would benefit from having an Airlines Reporting Corp. Corporate Travel Department designation, which allows a company to collect all data, commissions and overrides, and select whether

to perform in-house or outsource some or all travel management functions.

8. Review expense-reporting requirements: Determine if integrating booking and expense reporting platforms is a goal to include within the bid process.
 9. Consider whether travelers can benefit from adopting mobile applications to help manage their travel, and whether such requirements should be included in the request for proposals.
- B. Follow company procurement practices and draw upon in-house sourcing expertise. Set up an advisory committee of managers from finance, purchasing, information technology and human resources, with representatives from legal and all branch and international offices to later streamline contracting. Include travel arrangers and frequent travelers.**
- C. Define the service requirements and objectives of your bid solicitation. Establish strategies and measurements for cost avoidance and savings. Clearly define each line item to simplify comparisons among bidders. Be clear about what you expect from the TMC, including account management, communication with travelers and negotiations with vendors. Detail how the TMC should measure and report progress. Compile data to provide concrete support in negotiations.**
- D. Engage an internal team including representatives from travel, purchasing, administration, IT, legal and finance departments. Consider hiring an independent consulting firm. Consultants are aware of service configuration and technological options and comparative costs.**



Consider:

1. The consultant's client base and industry expertise
 2. The time the person responsible has for the task. Consultants can facilitate the bid process and provide analytical comparisons, short of making the ultimate decision.
 3. Consultant cost versus potential return on investment
 4. If the incumbent TMC has internal supporters but travelers have complaints, a third party can mediate and help identify solutions.
- E. Communicate early with incumbent TMCs. Consider a request for information to determine if they can meet program objectives. Advise incumbents in advance of the reasons for soliciting alternate service providers. Involve the internal legal department in such contractual matters as reviewing cancellation clauses in existing agreements, such as those that prevent early solicitation. Require the waiving of such language as part of the conditions for bidding. A transitional service obligation should be part of a written agreement with the incumbent TMC. If it's not, obtain a written agreement that the TMC will assist in a three-to-four-month phase-in period, should vendors change.
- F. Determine the rationales for prior TMC selections. Quantify the cost of change. Savings on transaction fees may not always be worth the logistical challenges of implementing a new TMC or program.

- G. Determine whether there is a realistic service-related and cost-effective reason to switch travel management companies, rather than renegotiate with the current TMC. Many corporations re-bid TMC contracts every three to five years to investigate new expense-reduction opportunities. Discuss needed improvements in service, pricing, data reporting or technology with the incumbent.
- H. Define all terms and exactly what constitutes a transaction before you send out your bid requests.

II. GATHER DATA

Reach out to multiple sources, such as a data warehouse provider, engage incumbent TMCs, charge card vendors, suppliers and internal departments to collect all available data by country and location, including:

- A. Where possible, compile granular transactional data, which provides TMCs with the information to effectively develop an operational plan and pricing proposal. Break down international and domestic gross and net air transactions and sales. If available, also provide a breakout of international travel into regional and intercontinental travel. Include rail and ferry options where available.
- B. Provide total transactions for the most recent 12-month period. Group these into traditional telephone—domestic, regional and cross-border—and online transactions, both unassisted and assisted. Where

available, it also is helpful to provide the number of hotel- and car-only telephonic and online bookings. A higher ratio of unassisted online transactions will reduce TMC staffing requirements and thus offer cost-reduction opportunities.

- C. Break down spending and transactions by division, location and cost center.
1. Gross transactions may be defined as the number of passenger name records and/or air or rail tickets issued plus refunds, voids and exchanges processed.
 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 processed.
- D. Break down air, hotel, car rental, rail and ground transportation spending. Give totals and average per-day and/or per-trip costs, plus average length of trips. Provide detailed reports for at least the top 15 cities. List principal suppliers. Include relevant details on any current supplier program, including corporate volume agreements and other discounts.
- E. Understand benefits and shortcomings of the current service and staffing configuration, including the number of onsite offices, staff by job category and unique or special services provided. For onsites, include available telephone systems and other equipment that the TMC will not provide.

- F. Number of travelers who carry corporate cards.
- G. Identify company travel behavioral patterns, such as the number of VIP travelers, contract employees and frequent travelers.
- H. Number of telephone calls to the TMC per transaction, average call length, percentage of calls answered in 20 seconds and the average hold time. Include agent productivity statistics, such as average number of transactions per year, assuming a normal number of calls per transaction.
- I. Provide projections for corporate growth plans. Review the likely change rate in increases or decreases of volume per the largest corporate locations, which could impact staffing. When providing projections, include a disclaimer that volumes are not guaranteed.
- J. Percentage of bookings made by phone, online and e-mail. Determine the percentage of online transactions that require human intervention. A high touchless transaction percentage can reduce costs. Consider asking the TMC for a single online fulfillment fee inclusive of touchless and touched reservations.
- K. Share of total hotel room nights and car rental days booked through the current TMC and the percentage of hotels that pay TMC commissions
- L. Payment process details, including billing and payment configuration
- M. Review incumbent's database for additional traveler profile data that may be helpful.

periences with the bidders.

- D. Consider how the bidders balance and measure service and cost avoidance.
- E. Evaluate TMCs' automated tools and their ability to integrate with other corporate systems. Will your company contract with the TMC for an online booking system, or procure one independently? Do the automated tools integrate with each other?
- F. Determine which TMCs best support the use of technology, including:
 - 1. Online booking
 - 2. Automated expense reporting
 - 3. Pre- and post-trip reporting
 - 4. Automated traveler tracking
 - 5. Management reporting
 - 6. Payment system integration
 - 7. Data warehousing
 - 8. Tracking/refunding unused e-tickets
 - 9. Custom portals with profiles, policy, security and destination information
 - 10. Use of mobile applications for travel
- G. Consider the TMC's role in account management or negotiation services.
 - 1. Ask the TMC about its supplier relationships, including those with global distribution systems.
 - 2. Determine who will obtain hard- or soft-dollar benefits and fund agent incentive programs.
 - 3. Determine TMC involvement in online booking systems and fulfillment of online transactions. Ensure that a TMC can deliver on any specific preferences or expectations.
- H. Consider the need for additional TMC services, including policy consultation, process innovation, e-commerce integration or meetings and incentive management. Look at TMCs with preferred vendors that best match yours.

ria, on which the selection likely will hinge

- 2. Whether an in-person presentation will be required
 - 3. A timetable for the process. If a change is made, minimize disruptions through swift implementation.
 - 4. A list of the rules of the process. For example, allow no contact outside of what is required for the incumbent to continue the current operation. Forbid parallel negotiations with local company offices.
 - 5. Consider holding a bidders' conference to give TMCs an opportunity to ask questions. Hold short meetings with each, a single meeting with all present or limit the conference to written questions. All bidders should have access to the questions and responses of all others.
 - 6. Allow a period in which bidders may ask questions to clarify the RFP. Publish all questions and answers to all bidders without disclosing the questions' sources.
- B. Detailed information on your account**
- 1. Objectives and data requirements
 - 2. All available travel expense data
 - 3. Current service configuration
 - 4. Current preferred vendors
 - 5. Reservations and payment methods
 - 6. Projected changes in volume
 - 7. Service expectations
- C. Basic information about prospective TMCs**
- 1. Ownership, offices and call centers
 - 2. Operating hours and after-hours service and support
 - 3. Number of years in business
 - 4. Number of employees
 - 5. Agent turnover rate, agents' average years of industry experience and length of time with the TMC
 - 6. Audited financial statements
 - 7. Size of other commercial accounts
 - 8. References from customers with accounts of similar size, in similar industries and with recent implementations, as well as those recently lost for reasons other than consolidation. For multinational programs, require at least two such references, and references from participating countries.
 - 9. Membership in consortia or franchise organizations
 - 10. Percentage of the TMC's U.S.-based and international business; corporate, leisure and group business and transactions made online
 - 11. With which global distribution sys-

III. NARROW THE FIELD

As you define your company's needs, it will be clear that some travel management companies can better meet your needs.

- A. Develop a database of TMCs under consideration by sending out brief requests for information with general questions about services, office locations, business volume and preferred vendors. Conducting an RFI can help narrow the list of those to receive full RFPs.
- B. Create a bidders list of TMCs to be considered. Focus on TMCs whose multinational presence complements your company's needs. Understand the scope of the TMC's existing client base. Small or midsize accounts considering a mega TMC should investigate services the TMC typically offers customers of that size and ensure services offered are commensurate with needs.
- C. Ask buyers who have similar budgets and are from the same industry about their ex-

IV. PREPARE AND SEND RFPs

Assuming you have conducted an RFI, select a limited number of travel management companies, perhaps four to six, to send concise but thorough requests for proposals, possibly electronically. Customize any generic RFP template and understand the questions before asking the vendor to reply. Keep in mind that direct questions elicit responses that are easily understood and evaluated. Allow TMCs at least one month to respond—six weeks for a multinational response—and slate another four to six weeks to evaluate responses. Consider including the following in the RFP:

- A. Criteria for the selection process
 - 1. Summary of the most important crite-

tems does the travel management company have relationships?

D. Proprietary TMC pricing programs

1. Travel suppliers with which the TMC has special negotiated air, hotel and car rates
2. Estimated annual cost avoidance vs. savings
- a. Soft-dollar opportunities: value-added services and amenities
3. Other savings opportunities include:
 - a. Access to free or reduced air tickets
 - b. Access to non-GDS content
 - c. Discounts on limousine transfers, airport parking, airline club memberships and discounts under a co-branded charge card arrangement
 - d. Use of ticket consolidators

E. Description of travel management company staff on the account

1. Travel agents
 - a. Number of agents to be dedicated to your account, designated for support roles, their names and location
 - b. Experience of individual agents assigned to the account
 - c. Number of air transactions or phone calls or amount of sales dollars expected of each agent to handle per day, assuming a normal ratio of calls to transactions
 - d. Whether agents receive incentives for booking preferred TMC vendors, and what safeguards exist to ensure no interference with compliance to corporate policy
 - e. Call overflow procedures and whether backup will be provided in case of emergencies and absences
2. Account managers
 - a. Primary account duties and place in TMC management structure
 - b. Amount of the account manager's time allotted to your account versus other accounts.
 - c. How, and how often, the account manager will communicate with you
3. Supervisor-to-agent ratio
4. Determine the training process for travel agents and managers, and possible customization to reflect your policies and preferred suppliers.
5. Employee evaluation procedures
6. Methods of handling complaints about staff and vendors, including any tracking and reporting processes

F. Automated services

1. Determine the TMC's role in the selection, implementation and ongoing support of a corporate self-booking

system, including support of a single system or multiple options and products selected by your company. Assess any added costs for support and integration with other technology.

2. Determine how the TMC will support online booking fulfillment, including 24/7 online help, and any costs.
 3. Assess whether pre- and post-trip data is available in real time over the Internet and shows all travelers' locations and contact information.
 4. Assess agent response time to reservation or information requests.
 5. Ask whether the TMC can automatically track and refund unused electronic tickets and provide information on unused nonrefundables that can be exchanged for airline credits.
 6. Can the TMC merge corporate charge card and booked data? Does the TMC support multiple payment options?
 7. Availability of any risk management automation
 8. Does the TMC own its own technology? How often does the TMC enhance or update technology? How does it support third-party technologies?
 9. How are client requests for new technology projects and features fulfilled?
 10. How does the TMC manage transactions that do not go through GDSs?
- ## G. Quality control processes
1. Is quality control automated or handled manually? If automated, which system does the TMC use?
 2. How often are pre-trip itineraries re-evaluated to determine the best price based on policy?
 3. Does the program consider connect-



ing flights, alternative flight times, different airlines and alternate airports?

4. Does the process automatically check airline, car and hotel bookings for compliance with corporate policy?
 5. Does the TMC consider the quality of reservations in its measures of agent productivity?
 6. Are error reports generated to help agents avoid repeated mistakes?
 7. Can the booking process be customized to meet your travel policies, accounting codes and negotiated rates? Can it be switched to another GDS if you decide to change?
 8. Is a separate quality control process employed for international travel?
 9. Ask to see a third-party audit of the quality control program. What is the average savings per PNR?
- ## H. Traveler profiles
1. What information on preferences is stored in traveler profiles? Are profiles stored in the GDS, in an TMC database, online or offline, or in your self-booking system?
 2. How does the profile database interface with customer human resources data to track personnel changes?
 3. Can transient profiles be accessed for meetings management?
 4. Can travelers access profiles online?
 5. Are profiles housed at the TMC synchronized with profiles in the online booking product? If so, how often?
 6. Are traveler profiles customized to accept TSA-required data elements for compliance with Secure Flight?
 7. Clarify that you own all data pertaining to your account and that it may be transferred to another TMC at the contract's end.
- ## I. Traveler services
1. How are lost tickets handled? How soon after a booking is made are tickets delivered, if paper is required?
 2. After-hours emergency service
 - a. Does the TMC or an independent provider operate the service?
 - b. How are quality standards maintained?
 - c. Are agents multilingual?
 - d. Can calls be routed to centers around the world? Is there a different cost if travelers call for non-emergencies?
 3. How are changes made to tickets fulfilled through online booking? Can these changes be made online? Assess any costs.
 4. What international travel services

- does the TMC offer—passport, visa, legal and medical referral services? What fees are involved? Does it have offices in other countries, or is it affiliated with local TMCs?
5. Does the TMC provide destination information, including security alerts?
 6. What communication resources are available—newsletters, online, e-mail and social media?
 7. Are meet-and-greet services available? Where and at what cost?
 8. Are lost baggage follow-up and airport parking discounts provided?
 9. Is customer service for automated tools provided?
 10. How are corporate travelers notified of flight changes?
 11. What is the procedure and cost for processing unused airline ticket refunds? What reports are provided?
 12. Are mobile tools and services provided to travelers?
 13. Develop a crisis recovery contingency plan.
- J. Policy controls: How will the TMC help monitor compliance? Will it provide:**
1. Pre-trip notification of noncompliant itineraries?
 2. Post-trip auditing to generate reports of noncompliant travel?
 3. Exception reports comparing booked and spent data?
- K. Hotel and car rental reservations**
1. How will agents access your negotiated rates? What negotiated rates can the TMC offer?
 2. What systems are in place to find the lowest rates? Can they conform to travel policy parameters?
 3. Will the TMC help resolve disputes with vendors?
 4. What system is in place to keep track of commissions and complaints?
- L. Which consulting services are provided and what fees are involved for each?**
1. Policy development and enhancement assistance
 2. Assistance with vendor negotiations
 3. Interpretation of management reports and savings recommendations
 4. Benchmarking data
 5. T&E process assessment
 6. Workflow processing
 7. Custom air and/or hotel sourcing and program implementation
 8. Technology assessment/integration
 9. Global consolidation
- M. Meetings services**
1. Dedicated planning staff
 2. Incentive travel
 3. Meetings technology
 4. Destination information.
 5. Do its online booking systems accommodate meetings?
- N. Management reports**
1. What types of reports are available? Are graphical summary and pre-trip audit reports available online? Who will run pre-trip audit reports?
 2. Is there an online reporting tool that lets you review your own data? Does the online reporting tool allow you to query the database or only produce standard reports?
 3. What reports are available to track online bookings, including those that are touchless? Do they detail fees?
 4. How often will reports be provided, and how soon after the end of a reporting period? What is the primary data source for pre- and post-trip reports? How is data quality ensured and how is information matched and cross-referenced when consolidated from multiple sources?
 5. Can reports present detail by department and down to the traveler level?
 6. How long does it take to get ad hoc reports? What are the fees for customized reports?
 7. Does the TMC have the ability to locate every traveler at any given moment, either through its own technology or with the help of a third-party risk management firm? How frequently are traveler-tracking data refreshed?
 8. Are global reports available? How and how effectively is data gathered from foreign locations? What is the timeline for receiving global reports, and how often are they updated? Is delivery and accuracy guaranteed?
 9. Is there a process by which the data can be manipulated and customized reports produced at the corporate site? If so, what technology is required? Is a computer help desk provided? What fees are involved?
 10. Will the TMC provide reconciliation reports that match up centrally billed expenses with actual bookings? Will it provide a data feed to disperse centrally billed expenses into general ledger accounts at the company?
 11. Is travel booked through the TMC's meetings department incorporated into corporate MIS reports?
 12. Can the TMC provide benchmark-
- ing data for corporations of similar size, geography or line of business?
- O. Financial and billing information**
1. Provide a spreadsheet in the RFP for TMCs to complete, so proposals are returned in the same format. Separate revenues into base commissions, overrides, hotel and car commissions, GDS incentives and other. Break down expenses into TMC fees, including overhead and profit, labor costs, including salaries and benefits, and other direct costs like technology, telephone and delivery fees.
 2. Determine the company's preferred TMC financial configuration
 - a. Transaction fee: Determine whether to consider bundled versus unbundled fees based on your initial definition of a transaction.
 - i. The corporation pays the travel management company variable fee for each booking, based on commissions and other incentives.
 - ii. Agree upon the definition of traditional, offline, domestic, regional and international, and assisted, unassisted and touchless transactions for air, rail, hotel and car rental bookings, and how they would be measured. Typically, transaction fees are defined as charges for airline ticket purchases, although some arrangements also include separate charges for hotel- and car-only reservations, refunds and cancellations of itineraries and reservations.
 - iii. Ask for calculations of a transaction fee with revenues retained by the TMC and another with revenues returned to the company. The fee can be limited to TMC profit and overhead or be fully loaded, including TMC expenses. For very large and especially multinational accounts, it can be difficult for the TMC to assume risk by keeping revenues and providing a lower transaction fee.
 - iv. 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 turns all commission revenue to the client, which pays the TMC for the cost of direct labor and other direct operating expenses, TMC profit and overhead.
 - ii. Provide an area in your spreadsheet

- for bidders to list categories of expenses, including salaries and benefits and other direct costs like technology, telephone and delivery fees.
- iii. Fees to cover overhead and profit should be expressed as a flat amount per transaction rather than a percentage of air volume to ensure there is no incentive for the TMC to charge higher ticket prices.
- iv. Require a breakout of any services for which additional fees will be charged. TMCs often differ in defining direct and overhead expenses.
- 3. Determine if fees are to be paid in advance or are due quarterly, monthly, weekly or at the point of sale.
- 4. Create a service-level agreement with a financial incentive to the TMC for meeting specified key performance indicators and a penalty for underperformance. Measure performance each quarter, and adjust fees accordingly. Ask the TMC to list methods of measuring each SLA.

V. EVALUATE THE PROPOSALS

- A. Read the proposals and 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.
- B. Bidder meetings
 - 1. Invite the bidders to present their proposals and respond to questions asked by the selection committee.
 - 2. Visit TMC sites that reflect the configuration you desire. Meet with the operations manager who would be assigned to your account and see how the TMC would handle changes or emergencies.
 - 3. 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.
- C. Compare the financial offers and staffing proposals on spreadsheets. Have financial managers review proposed fee structures or any changes to them.
- D. Reduce the field to two finalists. Make nothing final until a contract is signed or a letter of intent is submitted.

VI. NEGOTIATIONS

- A. After comparing all bids, determine the appropriate fees and what you will accept.

- B. Contracts should contain definitions of key business phrases in the terms and conditions, financial, service-level agreement and data privacy and security sections.
- C. Provide each finalist with the standard terms and conditions from the company's legal department for review, if you haven't done so in the request for proposals.
- D. Review your company's balance of trade guidelines in the code of conduct.
- E. Include the contingency emergency support plan in writing as part of the implementation package. Engage your company's internal risk management and security departments to review the TMC's security plans and technology.

VII. SIGN A CONTRACT

- A. Do not use only a standard TMC contract form.
 - 1. Formulate a document that reflects your specific legal, services and financial considerations.
 - 2. Do not award the business until after you have agreed to the contract terms.
- B. Contracts should contain specific requirements, including service-level agreements, and define expectations as well as financial incentives and penalties.
- C. Three to five years is a common contract length, though some companies have moved to longer terms.
 - 1. Determine how long pricing will be fixed and whether to allow for a pricing adjustment during the contract term.
 - 2. Include a contingency plan and consider volume adjustments.
 - 3. Require at least annual reviews and options for an additional year or two.
 - 4. Cancellation and termination clauses must be clearly defined and include notice periods, corrective action requirements and potential reimbursement to the TMC for prorated losses incurred. In case of termination, include transitional service obligations.
 - 5. Include data ownership language.
- D. Negotiate how much of any cash settlement is guaranteed, how it will be measured and whether it is for the length of the contract or depends on the TMC's override agreements with airlines.
- E. Ensure consistent performance by defining quality standards in the contract.

- 1. Include criteria for an overall rating on meeting program objectives.
- 2. 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 call-back 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
- 3. Obtain guarantees from the TMC on quality control systems, and consider auditing to verify its claims.
- F. Include a clause in the contract that spells out who at your company owns the reservation records, and a requirement that the TMC provide the records to your company or another TMC should the relationship between your companies end. Ownership of records can be part of GDS negotiations.
- G. Spell out how the TMC will work with your online booking vendor. If the TMC will fulfill bookings, the service-level agreement must detail service expectations for the handoff, changes, refunds or support. If the TMC only is fulfilling phone reservations, detail how data will be transferred and profiles updated.

VIII. IMPLEMENT THE ACCOUNT

- A. Meet with the new TMC within one week of contract signing to 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.
- D. Include field offices in the implementation. If the TMC will have onsite offices at remote locations, ask if it will let local staff choose the TMC-employed manager and agents.
- E. Communicate savings and service goals to the TMC and conduct monthly and quarterly reviews. Evaluate infrastructure costs up front and document start-up costs.

Marc Casto, president of Casto Travel; Carol Ann Salcito, president of Management Alternatives; and Cindy Shumate, global travel manager for Estée Lauder contributed to this article. ■

Developing A Global Travel Program

BY AMON COHEN

Acting globally is more of a goal than a reality for nearly all companies, even though efforts to streamline regional and multinational travel operations have grown for three primary reasons: improved management information, traveler tracking and leveraging of spend. Such efforts, which require continuous communications, are ongoing processes rather than one-time projects.

Many companies establish umbrella policies that cover but leave some latitude for all divisions and locations. Some use different travel management companies in different regions. A few of the biggest companies have established operations that rely on one travel management company, one global distribution system and one payment system worldwide.

The following outline provides advice for corporate executives developing consolidated multinational travel programs.

1 THE STARTING POINT

2 ASK QUESTIONS FIRST

3 STUDY THE DATA

4 DEVELOP A BUSINESS PLAN

5 IMPLEMENTATION

6 FOLLOW THROUGH



I. THE STARTING POINT

Senior management support and buy-in from other stakeholders, including key travelers, is crucial. Clearly state the goal and complete an initial needs assessment and proper business case, presenting the benefits that the company can achieve. Key messages are most likely to be savings opportunities, process improvements and improved employee satisfaction.

- A. A C-level executive—the chairman, chief executive officer, chief procurement officer or chief financial officer—should communicate the global strategy to all executives, empowering the travel management team to implement changes. Ideally, a member of the global board should be the ultimate champion and leader of the program to lend continuing gravitas.
- B. A strong domestic or regional travel management program can provide a strong foundation for a global program.
 1. Capitalize on existing successes and relationships as the foundation for changes to the travel program. Acknowledge cultural differences at the outset and understand that not all aspects of a successful travel program may be transferable to other regions or countries.
 2. Enlist the support of international travel managers into a working party to increase the chance of success. Build a robust, measurable and perhaps competitive reporting process for them.

- C. Ensure you have support from senior executives and key managers from all participating countries and business entities. It is important to balance the number of stakeholders with the potential to delay the decision-making process.
 1. Market the concept. Emphasize the

various ways each business unit will benefit and how they can assist in meeting corporate goals. Stress improved services and benefits for corporate travelers, savings and avoided costs. Start with senior management. Then meet people in the local countries who can be advocates for change. Set up face-to-face discussions, if possible, to seek the input and buy-in of the most vocal and influential business heads, travel arrangers and travelers.

2. Designate a corporate travel manager in each location or business unit to ensure advanced collaborative decision-making regarding major changes to supplier portfolios and policies. Use local travel coordinators to assist in getting information and communications, especially for smaller countries without travel personnel assigned.
3. Data privacy and corporate security groups can be travel buyers' best allies during the early stages of building a travel program. Duty of care and risk mitigation also are areas that attract senior management attention to travel.
- D. Establish a global infrastructure, including a global travel team and/or council, to ensure buy-in and ongoing support and provide a forum for prompt feedback.
 1. Organize a task force to gather information, plan timelines, develop regional consolidation plans and establish strategic objectives. If at all possible, appoint a full-time project manager. Ensure that each region and major country has representation and active participation.
 2. Organize regional travel councils that include representation from information

technology, finance, human resources, data privacy, corporate security and risk management departments. The support of representatives from each country or region is critical.

- E. The travel council should participate in establishing and fine-tuning the overall strategic direction of the global travel program and travel management services, savings and information goals. Management should set responsibilities of the travel council to strengthen its influence.
- F. Outline to stakeholders that senior management expects participation in the global travel program, unless compelling business reasons preclude it. Use good local suppliers when doing so benefits the global travel program and maintains local client relationships. Showcase peer group benchmarking studies that demonstrate global program benefits, particularly if you can get this level of information from within a business group in your industry.
- G. Ensure there is clear understanding between the travel management and procurement departments on key tasks and objectives from the outset.
- H. Don't be afraid to make an exception and preclude a region, country or even individual departments or travelers. If there is a particular need that cannot and never can be met by the global suppliers, then manage it outside the program. This may require a separate agreement authorizing the local supplier to pass data to the global supplier.



II. ASK QUESTIONS FIRST

Before developing a global travel program, ask suppliers, particularly card vendors and travel management companies, and the corporate finance department, for travel spending data. Develop an internal request for information to identify who manages travel internally and elicit details about specific supplier contracts and policies. Consider outsourcing aspects of the travel program.

- A. If possible, visit locations and operating units that will be the principal bases for travel management programs abroad. Begin with the location or locations that have the largest concentration of spending volumes or corporate travelers.
 1. Articulate your purpose as an opportunity to improve travel services, savings and productivity for all employees in the company and ask questions.
 - a. Seek to understand different internal processes and procedures.
 - b. Be alert to cultural differences in behavior and attitudes. Look for nuances

in style and procedure in each country and region.

- c. Question generalizations when assessing international travel operations.
2. Assess your colleagues' opinions of the current travel program. Use surveys internally to obtain a profile of your company's spending and needs locally.
- B. Use the travel council or a third-party data-warehousing group to collect data on existing corporate travel patterns and supplier relationships.
 1. Develop a consistent framework of data requirements and distribute it to the responsible individuals in each country. Key elements to collect are supplier contracts and data on total travel spending.
 2. Wherever possible, data requests should be directed and managed by the incumbent travel provider. Overloading the local contact with significant demands for data is not the best way to secure buy-in and support for a key part of the project. Demonstrate you are prepared to do much of the legwork yourself. Accept also that the local contact may not be an expert and indeed may have little or no knowledge of the travel category.
 3. Ensure you do not duplicate requests, such as asking for the contract and pricing separately. Ask for all the information in one document.

4. Overall travel program information: Collect detailed data. Explain why you need the data and how it should be collected, but do not expect the same level of information or even definitions of business travel in all countries. Create the template to be used, and then stage a conference call to present it to key internal and external stakeholders. Create a help page with details of the requirements. The requests for information should be specific and relevant and avoid being burdensome for stakeholders. Data should include:
 - a. Organizational information, including company locations, number of business travelers, their ranks, job categories and locations
 - b. Travel management company relationships and services, including contracts, agreements with key suppliers and systems for reservations, document delivery, reporting and payment, including global distribution systems, airfare databases and online booking tools. Also include:
 - i. Financial arrangements, including fees paid and commissions received. Remuneration models can vary dramatically by country.
 - ii. Ancillary services, such as currency exchange, value-added tax refunds or visa assistance
 - iii. Consulting services, such as hotel

- program management or negotiating airline deals.
- iv. Current staffing levels: Chart each category of position (full or part time), managers and support staff.
- v. Agent productivity drivers such as average call length, hold time, calls per transaction and refund and exchange rates
- c. Relationships with airlines, hotels, car rental firms and other suppliers. Include:
 - i. Contracts, including discounts, incentives, service-level agreements and back-end refunds or discounts
 - ii. Primary supplier volume data by dollars and transactions, gross and net of refunds
 - iii. Special traveler programs and preferences
 - iv. Alternate suppliers or traveler-preferred options to be considered
- d. Travel purchasing methods
- e. Copies of existing travel policies
- f. Current corporate payment methods, including:
 - i. Cash and payment provisions
 - ii. Reimbursement procedures. Request card data, including individual billing and central pay information.
- g. Expected changes in travel patterns, business activities, recruitment conditions and other developments
- 2. Travel volume and patterns. Develop a global database by requesting travel agency data for the past two years. Request the data in a common format that bridges data consolidation and modeling tools at the raw data level instead of the summary level.
 - a. Transaction and spending volume by travel supplier type
 - b. Destinations and citypairs
 - c. Average trip length
 - d. Average airfares and hotel and car rental rates
 - e. Rail and ferry usage
 - f. Primary supplier marketshare
 - g. Exception reports, if available
 - h. Management reports or estimates for as many data points as possible, and reports from accounting department or third-party data management firm
 - i. Year-one volume estimate and historical data
- 3. Market information. Ask colleagues and suppliers for insight into their respective countries and changes that might affect a global travel program:
 - a. Commission structures and overrides and GDS revenues paid to TMCs

- b. Travel agency contract terms
- c. GDS and management information services changes
- d. Regulations that affect ticket distribution and data transfer
- e. Privacy and employment laws
- f. Interview peer travel managers and representatives of travel management companies and suppliers.
- g. Request feedback from managers of such headquarters departments as HR, MIS, purchasing and accounting about extending policies and procedures to operations worldwide.
- h. Apply local, relevant lessons from the domestic travel program.
- i. Obtain benchmarking information from businesses of similar size or industry and from corporations with established global travel programs.

III. STUDY THE DATA

With differences in the travel data available in each country, establishing benchmarks could make data more relevant.

- A. Use independent benchmarks to identify potential travel management improvements. Focus not solely on data, but also on best practices and policy.
 - 1. Calculate ticket price averages for domestic and international air travel. If your company uses a lot of split ticketing, cost per mile may be a superior benchmark.
 - 2. Possible benchmarking data sources:
 - a. Domestic and international travel management companies
 - b. Third-party data consolidators
 - c. Charge card
 - d. Aviation, lodging, rental car, ground transportation and other suppliers
 - e. Consultants
 - f. Industry and professional associations and publications in your industry as well as travel, finance and accounting
 - g. Peers at other companies, especially those with comparable travel patterns, size and structure to your company
 - h. Fare audit companies
- B. Identify business units likely to support the objectives of your global travel program, such as a division already managing travel and supporting preferred vendors. Leverage technology from larger units to benefit smaller ones, such as providing employee tracking or pre-approval technology or consolidation of post-trip data at the local, regional and global business level.

- C. Focus on where the program can show results quickly. Leverage these successes as you expand the program.
- D. Identify areas out of line with travel management goals.

IV. DEVELOP A BUSINESS PLAN

- A. Start by setting policies backed by senior management and, where culturally applicable, create accountability measures. At minimum, prepare a set of policies for company travelers in selecting air, hotel and rail and other components of travel. Consult with global human resources, corporate security, tax and data privacy groups in the construction process.
 - 1. Don't expect to impose policies in other countries identical to those at headquarters. Travel options, business considerations and traveler entitlements and sensitivities all vary. Don't overstate your authority or management support. Be factual and honest.
 - a. Work with local managers and employees to draft travel policies that reflect local realities while supporting global travel program goals.
 - b. Policies often vary by country, including language governing airline class of service, hotel room types, per diems, airport transportation, expense reimbursement, telephone expenses, car rental insurance, corporate aircraft, preferred vendors and emergency procedures. Allow local policies to be more but not less strict than the global policy.
 - 2. Start simply. Cover the fundamentals but leave room for fine-tuning. Global policy should be flexible and measurable, but never ambiguous.
 - 3. Ensure policy is practical with regard to local practices to eliminate the need for local exemptions.
- B. Create the means to generate good management information that will let you:
 - 1. Develop a global travel management plan, with specific goals and a realistic timeline. Senior management should review, accept and endorse this plan.
 - 2. Support international negotiations. Use data to create a baseline. Consider sending a global request for proposals to airlines or alliances with networks covering at least 75 percent of the citypairs critical to your company. Complete the program with secondary and local carriers.

3. Refine international policies. If you work with a select number of travel management companies, try to streamline travel policies and practices. Work with your legal team to develop an agreement that covers all agency locations with a particular provider.

4. Develop metrics for tracking service levels. Key performance indicators can be helpful internally as well as in working with suppliers.

C. Introduce a global corporate card.

1. A corporate charge card program can yield detailed spending information. Be cognizant of privacy laws, banking regulations, customs and infrastructure that restrict data collection and dissemination.

2. By putting multiple business units under a single contract, companies can reduce charge card fees and boost rebates. Merchant fees can fluctuate by market. The card issuer will base economic decisions on the number of cards issued and card spending in foreign currencies in order to determine issuer income and the amount of program overhead required.

3. Ensure that corporate card vendors can meet requirements despite agreements in various countries that may not permit them to provide specific services. Focus on data delivery capabilities and ensure the program meets in-country needs for reporting and program management.

D. A global program concentrates travel purchasing with one or a few travel management companies.

1. Benefits of using a single travel management company throughout the world can include:

a. It helps develop consistent procedures, application of travel policy, values and guidelines and provides clear accountability for service delivery.

b. It can provide a single system for consolidating data from diverse international operations. Travel management companies vary in their ability and methodology for consolidating

data from multiple countries.

c. It maximizes negotiating leverage globally and locally.

d. It provides efficiencies in management costs and offers standardization of management reports.

2. Using a single travel management company for a group of countries within a region can offer the same advantages as worldwide TMC consolidation. Some see it as requiring an extra step to aggregate worldwide information. Others see it as ensuring competition and enabling the use of the best in each region. No agency owns all locations worldwide and no agency has one single technology process. Point-of-sale issues, such as the local dominance of a particular global distribution system, exist regardless of the approach.



3. Using independent TMCs joined in an international network to support multinational accounts is also an option. Without common ownership, control, service and standardization, it can be difficult to jointly manage and coordinate the program.

E. Evaluate the ability of TMCs or third-party data consolidators to provide data.

1. How is management information gathered, manually or automatically?

2. How is data from incompatible computer systems consolidated?

3. Can data be normalized internally?

4. Are currency conversions compatible with your company's accounting

practices? With what frequency is currency converted?

5. Can the correct data be gathered on ancillary services not booked through GDSs, such as hotels and rental cars?

6. How often is the data updated? How is it cleansed?

7. What is the availability of pre-trip and post-trip data?

F. Determine what the travel management company will provide and what you will do to complete the data management process. An independent data consolidator can bring in data from all countries.

G. Ask questions about existing technology. Make use of references.

1. Be aware that every travel management company strategy involves business practices and technological progress limitations.

a. Be cognizant of data privacy concerns and legal requirements for data transmission in various countries.

b. Common agency back-office systems often do not capture data in comparable formats. Currencies must be converted in order to consolidate data.

c. Cross-border ticketing—driving all tickets for a region from one country—may be legally and technically possible, yet not practical, especially in regions with multiple currencies and tax laws. Often, regional centers process reservations and then have local offices issue tickets. Understand the process for traditional telephone

reservations and for electronic ticket fulfillment.

d. Managing multiple suppliers and assuring service consistency is difficult.

2. Consider GDS strategy when selecting a TMC.

a. A common GDS at least in key locations can be beneficial where it is a priority to provide en route service to traveling employees. This enables access to traveler itineraries and passenger name records. Most major TMCs now have multiple GDS access through their 24-hour call centers, where they recommend processing en route requests.

- b. Some rail or pricing information may be available through only one GDS, which may be more important than the universal exchange of passenger records, depending on travel patterns.
 - c. Strong local vendor relationships or prevailing market conditions may make it essential to use a particular GDS.
 - d. Partner closely with your preferred travel management companies on GDS issues, as they have buying leverage and will work with the GDS on your behalf. In some cases, the TMCs have developed proprietary customized scripting and other GDS enhancements.
 - e. Consider a separate GDS contract to allow easy travel management company conversion and to obtain rebates directly versus trying to get them from the TMC holding its own contract.
3. Begin establishing infrastructure for on-line reservations and fulfillment and add provisions to access suppliers not available in GDSs.
- a. Build on the successful implementation of an online tool in a single country or the headquarters location.
 - b. Weigh fulfillment options.
4. Map TMC service locations and your company's destinations, and ask the travel management company to explain how it will support your needs.
- H. Maintain task force involvement throughout the process. Ask local representatives to negotiate with local vendors.

V. IMPLEMENTATION

- A. Decide on a rollout plan: Implement first in the largest countries and locations, or perhaps by region, where most of your volume is concentrated and benefits are easiest to quantify.
 - 1. Report benefits at a few locations with the highest spend and greatest potential to prove early success.
 - 2. Consider company structure in each geographical area.
- B. Develop communication and change management plans with the council and key suppliers to prepare senior management and employee expectations regarding service. Require dedicated resources from the travel management company, including communications, for the rollout.
- C. Introduce the program at each key location.
- D. Introduce personnel involved in the program to the travel management company's global account management team.
- E. Give advance notice to incumbent agencies and suppliers affected by the change. Review
 - contracts for local legal concerns, including labor laws. Beware of obstructions by incumbent travel management companies. When switching to a new agency, the key is to transfer profiles intact. Often, this is a good opportunity to clean up existing profiles or switch to a more modern Web-based traveler profile system. These are maintained directly by the traveler or travel booker and are synchronized automatically with the GDS. When transferring GDSs, retain the existing system on site for about two months to cross-check any data discrepancies.
- F. Establish and promote a means to gather traveler feedback and address service issues promptly.
- G. Leverage worldwide travel volume in order to negotiate global or multi-country airline and ground transportation agreements, and develop a global preferred hotel program. Country- or region-specific contracts may be necessary.
 - 1. Cover the majority of airline spending with negotiated agreements. If multi-country agreements with a single carrier are not possible, evaluate whether an airline alliance provides sufficient coverage.
 - a. Aggregate data may be sufficient to provide some initial leverage for multi-country agreements.
 - b. Sophisticated modeling requires segment-level detail by citypair from the global travel management company.
 - c. Airline alliance deals can provide travel buyers a single account manager, consolidated and standardized reports and one set of negotiated commitments.
 - i. Data evaluation is key for a company to determine if an alliance deal is the right fit. Evaluate whether the company's route structure, air volume, domestic-international ratio and traveler preferences fit with the offerings of a particular alliance.
 - ii. Obtain TMC feedback and further evaluate if an alliance-wide agreement would result in efficiencies, pricing value or other global benefits.
 - iii. Some airline alliances can offer joint deals under antitrust immunity, while others cannot. Alliances generally contract through a centralized management company or a lead alliance carrier.
 - iv. Alliances favor companies that strongly enforce travel policy and can generate business to multiple alliance partners.
 - v. Be aware that some alliance joint-ventures now are attempting to compel clients to use all their members, which can threaten commitments to rival air-

lines. Insist on dealing on an individual carrier basis.

- 2. Negotiate car rental company agreements travelers can access globally.
- 3. Most hotel programs include several levels of preferred properties. Individual properties with the highest number of room nights and spending yield the best rates. Negotiated chainwide agreements can provide a discount at every property. Buyers also can leverage rates from the company's preferred TMC.
 - a. Negotiate preferred rates in top locations through the hotel company national account manager or directly with the property sales department.
 - b. A chainwide hotel agreement can provide lower discounts than those negotiated with high-volume properties, but can help in locations with fewer room nights.
 - c. TMC rates usually are lower than published corporate rates, but they too can be used in location with few or no room nights. They also provide a valuable benchmark for negotiating.

VI. FOLLOW THROUGH

- A. Meet regularly with your travel council to review global travel program results, resolve service issues and exchange ideas.
- B. Listen, monitor feedback and respond. Be flexible about fixing problems.
- C. Meet regularly with the travel management company. Review formal key performance indicators to measure success and identify problems.
- D. Study management information.
 - 1. Identify travel spending patterns that indicate negotiating opportunities and policy exceptions that need revision.
 - 2. Use data to demonstrate program successes. Monitor key performance indicators to assess service delivery.
- E. Leverage best practices in service configurations, preferred supplier selection and technology products.
- F. Develop ongoing supplier certification standards. Publish current travel management company and internal contact information and preferred deals on your intranet.
- G. Continuously survey travelers about satisfaction with supplier programs.

Travel management company veteran Mike Platt, 3Sixty director Chris Reynolds and ProConTour Consulting managing director Felix Vezjak assisted in revising this section. ■

Establishing An Airline Program

BY JAY BOEHMER

No one ever called the airline industry easy. As carriers see it, they face bitter competition, high taxation, outdated infrastructure, price-sensitive customers, steady-fast regulation, elusive profitability, erratic fuel prices and irrational pricing. When things appear to be getting better, a volcano erupts.

To reciprocate, airlines rarely take it easy on their corporate clients. Whether merging with other mega carriers, levying new fees for things that used to be free, slashing capacity or waiting until a law is passed before realizing that maybe they shouldn't keep passengers stranded on a grounded plane for hours at a time, corporate buyers and their travelers see their own set of challenges.

The job of the corporate travel buyer is to bridge these conflicting views, make sense of what is by most business measures an irrational industry and find common ground on which to build mutually beneficial terms.

Though often at odds, there remains room for reciprocal relationships between buyers and their airlines suppliers. The following is a guide to establishing and maintaining such a preferred relationship with a carrier.

1 GAUGE THE COMPANY MINDSET

2 GATHER INFORMATION

3 GET STARTED

4 NEGOTIATE THE DEAL

5 MANAGE THE DEAL

6 MISCELLANEOUS



I. GAUGE THE COMPANY MINDSET

Airline deals are all about marketshare. More than anything, airlines want clients to steer travelers to use them instead of their competitors. While large air volumes can get you in the door, buyers must be able to demonstrate their ability to motivate travelers through clear policy and strong enforcement to deliver incremental marketshare to preferred airlines. Though air deals are more about marketshare than volume, consider annual corporate air spending of at least a few hundred thousand dollars as a minimum, and ask your travel agency for benchmarks.

A. Understand how senior management values preferred airline relationships to formulate a dedicated course of action.

1. Determine if the costs of implementing preferred airline agreements—including human resources and frequent flyer loyalties—are worth the benefits.
2. Communicate the types of cost savings and added services available and the commitment necessary to achieve them.
3. Assess the extent of senior management support for a preferred air program. True senior management buy-in, including mandating use of preferred airlines, can allay future difficulties.

B. Understand and communicate the corporation's needs.

1. Establish a cross-functional sourcing team that includes the CFO, corporate travel manager, purchasing or procurement and meetings management rep-

resentatives, leaders of divisions with higher-than-average air expenditures, a representative from the travel management company and frequent travelers.

2. Predict domestic and international air volume for the corporation for the next year based on last year's numbers and important elements of the business plan for the coming year, such as merger and acquisition activity and new corporate locations. Also consider air volume for meetings and the amount of trips for internal purposes, like training, vs. customer visits. Though it's important to anticipate your travel footprint, remember that volumes are determined by the business and economic environment, not by the travel manager.

C. Understand traveler air preferences.

1. Ask the most frequent travelers which carriers they use and why. Some carriers or third-party providers offer reports on on-time performance, delayed flights and mishandled baggage. The U.S. Department of Transportation provides such data for domestic carriers free of charge through the Bureau of Transportation Statistics at www.bts.gov.
2. Assess frequent flyer memberships.
3. Understand which amenities, both in the air and on the ground, are important to travelers. Not all airlines offer the same services.
4. Determine traveler willingness to support a preferred airline program and the potential need for a mandate. Be realistic when evaluating your ability to enforce policy.

II. GATHER INFORMATION

With proper data, a corporation could win discounts on specific citypairs, for multiple destinations from one originating city, for regional business or even across your entire portfolio.

A. From your travel management company databases, online booking system and third-party data consolidators, obtain:

1. Most frequently flown citypairs—at least the top 20—by segments and passenger count, booked by carrier and route, as well as directional data
2. Dollar volume per carrier, per route, for the most recent 12-month period
3. The number and value of tickets issued by fare class B. Focus on booked, as opposed to flown, data, which can be six months old by the time of reporting. Ideally, the travel manager should have reports with which to compare airline data. This would help pinpoint when travel agents do not code tickets appropriately.

B. Investigate the airlines. Information from government and independent sources can help leverage negotiations. If you know, for example, that a carrier has low load factors on a route you fly frequently, or there is new competition on the route, you can be more aggressive in negotiating. Be aware of airline customer service metrics, including on-time performance and baggage handling performance.

1. Obtain marketshare information by citypair from the U.S. Department of Transportation—recognizing that such data is free but dated by at least a few months. Data from other sources, including ARC, travel agencies, consultants and other third parties, can be costly to obtain.
2. Look closely at data for more than one year to ensure you are examining an established trend. Look at different quarters of the year to determine the seasonal impact.
3. Focus on the capacity each carrier has in given cities and on certain routes. The difference between one carrier's 60 percent marketshare on a route and another carrier's 20 percent share is significant to the buyer's opportunity to move share toward a carrier, depending on the airline. Marketshare numbers may be difficult to obtain and also should be used cautiously when assessing contracts that aggregate several citypairs of varying

sizes and carrier composition.

4. Useful information can be obtained from several third-party firms and consultants performing data analyses with optimization modeling. This will take into account both client traffic and carriers' route capacities.
- C. Document how you plan to shift market-share and control travelers' choice of carrier, and past successes.**
- D. Determine how and to what degree you can leverage your employees' meetings and leisure travel.**
- E. Airlines increasingly are charging for a la carte offerings not included in the base fare. These can include fees to select seats, check bags, access inflight Internet, purchase food on board and gain upgrades. Though many of these fees are not negotiable, travel buyers should attempt to capture spending through expense reporting and charge card data to show carriers the total amount spent on air services.**
- F. Compile benchmarks. Data from peers and travel management companies may help give you perspective.**

III. GET STARTED

A. Not all types of business are equally important to every airline. The key is to get a fix on travel patterns and determine which airlines have compatible needs.

1. Recognize carrier network strengths: Short-haul versus long-haul; hub-and-spoke versus point to point; international reach versus strict U.S. focus
2. Recognize product differences. Some airlines are no-frills, low-cost operators, while others provide a more comprehensive range of services. Low-cost carriers are providing more ticketing flexibility, distribution options and improved reporting.
3. A careful analysis of your company's travel patterns may present opportunities for citypair-specific rather than systemwide deals, but do not sacrifice overall savings for dazzling citypair-specific discounts. For more than one systemwide deal, carefully analyze which carriers will maximize citypair coverage without diluting the other preferred airlines' shares.
4. Inquire if the carrier participates in an airline alliance. Some airline partners offer joint deals under the umbrella of antitrust immunity, while others have taken such relationships even further by developing joint ventures, through which partners manage capacity,

fares and corporate deals as one entity on some subset of their network. Determine the magnitude of alliance relationships and how it impacts negotiating leverage.

B. Communication is key to any business relationship. Interface with:

1. Airline contacts. Determine the degree of authority the airline delegates to its representatives at different levels. Relationships with high-level sales managers can be very valuable, but the smaller your travel volume, the more difficult it is to forge such relationships.

- a. Local corporate account executives
- b. Regional sales managers
- c. The corporate sales or business development director at airline headquarters: Establishing such relationships helps ensure that changes in regional staff do not eradicate contacts. However, headquarters-level relationships may be limited, especially for smaller travel programs.

2. Travel management company contacts

- a. The travel management company might have a better relationship with the airline, and the company relationship with the travel management company might be better than that with the airline.

b. Travel management companies frequently are the primary source for company spending history and can be partners in negotiations.

3. Peers and consultants can provide benchmarking data.

C. Some corporations, especially larger ones, take a formal approach by sending out requests for proposals to headquarters and local sales offices. Include essential information only. Agencies and consultants can help formulate and streamline the process.

IV. NEGOTIATE THE DEAL

A. Start by outlining the benefits of your business to the airline. Typically, airline agreements are written by and for the airlines, though corporations' legal departments may seek modifications.

1. Provide data on your company's traffic patterns. Highlight areas of interest to the airline, including such higher-yielding purchases as international business class. Many airlines will require your data to be processed through a third-party data aggregator prior to submitting a proposal. Allow



four to six weeks to facilitate the data release authorization required of this process.

2. Airlines are reluctant to offer trial periods for contracts, but corporations can implement stair-step agreements in which the level of discount increases with volume. Avoid the pitfall of overpromising and underdelivering. Buyers who consistently underperform will earn lower discounts compared to their counterparts with well-managed travel programs.

B. Be persistent. Airlines are being more selective regarding the accounts on which they choose to bid. Rejected requests for domestic discounts can be revived by offering more volume on international routes. Try to tie the two together for maximum purchasing power. Avoid putting all of your eggs in one basket, as market conditions and travel demographics can change.

C. Show a strong front.

1. Try to have your controller or senior financial manager attend negotiating sessions to help crunch numbers and describe the company's fiscal direction. Summarize your company's value to the airline.
2. Depending on the corporate culture, include corporate procurement/stra-

tegic sourcing and other company departmental representatives at each step of the negotiating cycle.

3. Invite your travel management company if helpful, but be sure to inform the airline about who will be present.

D. Negotiate the types and levels of domestic discounts.

1. Most carriers base discounts on the marketshare or incremental share and/or revenue a company can provide, on specific routes, multiple routes from one origination point or systemwide. Discount structures differ by airline. Some use actual fare paid and others use reworked airfare classifications. Keep the contract and the number of discounts manageable. Cluster markets with similar discounts or share requirements where possible.
2. Consider:
 - a. Agreements that include dollar-volume or segment goals might not be beneficial.
 - b. Most airlines exclude lower-priced fare types from discount programs. Assess the impact of such exclusions.
 - c. Obtain assurances that the traffic goal is reduced proportionally when frequency or aircraft size is reduced

in a given market. Such clauses can alleviate contractual conflicts.

- d. Don't overestimate volume or the ability to deliver it to extract a higher discount percentage. Avoid the pitfall to over-commit volume. Over-commitments frequently will be met with reduced cooperation from the airlines, which will impact the value of discounts earned in future negotiations. This will impact your company's credibility and ability to negotiate favorable rates in future negotiations.
3. Other discount options:
 - a. Most carriers have fixed meetings discounts for a group of people flying to the same destination, whether or not they're starting at the same departure point. Zone fares also may be available for groups of travelers. Buyers should assess group and meeting products and the potential benefits of combining transient and meetings spending for negotiating leverage.
 - b. Some airlines may offer back-end discounts or incentive payments to eliminate the risk of providing an upfront discount with no increase in share. Ensure all back-end rebates and discounts are guaranteed and communicate the benefits of any back-end

deals to corporate travelers.

4. Your discount might be dependent upon your travel management company's override agreement. The travel management company might pass onto you the production-based revenue it earns from the airline on business booked for your account. Override agreements between airlines and travel management companies typically are kept confidential, however TMCs continue to receive incentive compensation in an effort to drive volume to particular airlines across their entire account base. Be aware that these agreements may not be in line with your preferred airline mix. Your travel management company is unlikely to give you a copy of the override agreement, as airlines generally insist such contract terms remain confidential, but it's possible to learn the targets and the value of your company's contribution to the overall override. Be wary of any conflicts of interest before soliciting support during airline negotiations from a travel management company.

5. Most U.S. domestic deals now are net fare agreements. Base commissions and overrides still exist in a dwindling number of international markets.

E. Agree on the types and levels of international discounts.

1. With domestic discounts minimized, buyers are seeking savings on higher-priced international flights.
2. Beware the pitfalls of dollar-based volume goals. Buyers have no control over currency conversion fluctuations that negatively impact such goals on international routes.
3. Especially through small business programs offered by airlines, international discounts can be credits earned toward travel.
4. Guaranteed upgrades can be obtained in lieu of a special fare or productivity-based free tickets. Capacity-controlled, one-class upgrades now are prevalent in specific markets. Make certain this is not in conflict with travel policy since upgrades with one airline may set a precedent.
5. Multinational agreements may include different discounts in different regions but also may provide a bonus for overall multinational performance and other umbrella incentives. Strive for point-of-origin pricing rather than point-of-sale pricing, so the same dis-

counts are available regardless of the country in which an airfare is booked.

6. If you strike a deal with an airline that distributes your traffic to codesharing foreign partners, ensure systems are in place to guarantee the business is credited to the contracted carrier.

F. Determine how the carrier provides access to web-only fares and how they can be used and counted within contracted programs. Some carriers may have a preferred payment or lower-cost payment vehicle that could impact airline flexibility.

G. Set the contract length.

1. Traditionally, deals negotiated between corporations and airlines extend for two years, though corporations may want to press for even longer agreements. Most airline agreements include formal periodic reviews and exit clauses, generally at 30 days' notice.
2. Smaller corporations or companies that are negotiating for the first time might cut a deal for six months or establish trial periods ahead of a longer deal.
3. Be aware that advancements have resulted in increasingly frequent changes that require ongoing active monitoring of airline programs. Conducting an RFP every two years can cause buyers to miss out on spot-market opportunities during the contract term.

H. Mind ethical considerations.

1. Carriers often will squelch deals if they've been used to set a target level for negotiations with their competition. Be careful: Word gets around about such double-dealing, and you could be precluded from discounts with carriers in the future.
2. Keep the terms of your deals confidential. Most airline contracts are bound by nondisclosure agreements that prohibit the sharing of any information, except for ticketing instructions to your agency or airline-appointed data processors. Carriers always retain the right to terminate fare contracts unilaterally with 30 days' notice.

ates travel policy and encourages the use of your preferred airline.

3. Consider holding employee training seminars. Include in a presentation:

- a. Potential savings on preferred airlines
- b. Descriptions of any special programs to encourage use of the carrier, including monetary prizes, upgrades, advance seat assignments, access to airport lounges, extra frequent flyer mileage—as agreed to by the airline—or perhaps free trips not tied to a frequent flyer program
- c. Invite a representative of the airline in to discuss potential problems, such as the value of frequent flyer mileage earned on other carriers.

B. Ensure your travel management company and its representatives are aware of the deal and understand their role in implementing it.

1. Make sure that you and your supplier partners understand which party is responsible for fare loading and consider regular audits to verify accuracy. A meeting with your assigned travel counselors also should be mandatory.
2. Define procedures for travelers, so that they will book the preferred carrier.
3. Agree upon recourse if a travel agent fails to book the preferred carrier or mention its availability. Failure to book the negotiated rate is a common error when processing corporate accounts.
4. Specify what the travel management company and online booking tool must do when your corporate traveler rejects a flight on the preferred carrier. For instance, the traveler's refusal of a contracted airfare might trigger the production of an exception report that is forwarded to the travel office and the traveler's supervisor.
5. Consider asking the travel management company to publish the savings achieved by accepting the preferred airline booking on travelers' itineraries. This reinforces to travelers their impact on cost-saving efforts. Conversely, publish lost savings opportunities.
6. If your spend is of sufficient volume, airlines will have your travel management company contact their specialty desk designed for major corporate accounts. Through this channel, airlines will consider matching prices on specific itineraries, enabling the corporation to save money while fulfilling its volume commitment.
7. Ensure your travel management company does not have in place travel

V. MANAGE THE DEAL

A. Inform employees, emphasizing senior management support for the program.

1. Post your travel policy on a corporate intranet page and use your online booking tool and agency to reinforce that policy and steer travelers to book preferred carriers.
2. Consider sending a memo that reiter-

counselor booking incentives that conflict with company interests.

C. Monitor the deal through management reports from your travel agency and airline, both to assess the effectiveness of current deal and to prepare for future negotiations. Airlines use sophisticated tracking tools to gauge corporate client performance so they can amend or cancel the contract if goals are not met. In many cases, the airline will provide the buyer with reports it receives from its third-party data aggregator to monitor contract performance.

1. Watch corporate traveler compliance with the agreement and consider deploying incentives to ensure it. Pass along management reports to department heads to track performance. Internal benchmarking, or measuring compliance among departments or lines of business, can serve as a powerful travel management tool.
2. Keep track of whether your company is booking flights at a pace that will meet the agreed-upon marketshare commitments. Keep in mind seasonal travel patterns. What might look like a shortfall or excess volume at one point might end up being corrected by year-end. Your travel agency may have tools for managing multiple contract goals at the point of sale.
3. Maintain an open line of communication with your travelers via corporate intranets, e-mail and memos to hear their opinions about whether the deal is meeting their needs and whether the airline is providing acceptable service.
 - a. How aware are your business travelers of your preferred airlines?
 - b. How is the airline program affecting travelers' job performance?
 - c. Do they have recommendations for changing terms of the program or seeking a new preferred carrier?
4. Maintain contacts with airline sales representatives to develop long-term relationships and to ensure the company and airline share a view of how the agreement is being honored. Establish multiple contract performance checkpoints throughout the course of a contract. Ensure data from self-booking systems and bookings made through Internet travel management companies are counted toward contract performance.
5. Increasingly, large companies are using third parties to analyze contract

performance and understand how airline yield management affects preferred corporate deals.

6. Compile data from management reports for use in negotiations at least one month before the contract is set to expire. Such data should include:

- a. Average fare per negotiated route for preferred and nonpreferred carriers
- b. The amount of business directed to the carrier before and currently
- c. Reasons why the preferred carrier was not used, such as travel agent error, employee refusal, the company's lowest-logical-fare policy or unavailability of seats, perhaps due to a carrier decreasing the service that it provides in a particular market.

D. Consider hiring a third-party audit firm to help monitor your travel management company's performance in booking your corporation's preferred carriers. This may prove particularly helpful for a company with multiple agencies.

1. Have the auditor examine available data, including the percentage of time your agency offered the discount fares when such discounts were applicable, how frequently travelers accepted them and why travelers declined to accept them.
2. Determine whether the carrier imposed limits not in the contract on the availability of discounted fares.

E. Renegotiate the deal, if desired. In most cases, if a corporation has generated even a small increase in marketshare for the airline, it probably can get at least a one-year renewal. If a company has exceeded targets, or met them despite obstacles, it should request a larger discount. Travel buyers should regard the contract as a living document. As travel patterns change, amend goals and discount levels.

VI. MISCELLANEOUS

A. Many carriers now charge economy passengers a fee to check their first and second pieces of luggage. Airlines largely are unwilling to negotiate the elimination of those fees. However, the fees are waived for holders of frequent flyer elite status, which most major carriers are willing to include as part of a deal.

B. Upgrades

1. Many airlines award upgrades almost exclusively to elite members of loyalty programs. Some airlines offer instant elite-level frequent flyer status, which

can help frequent travelers transition to a new preferred carrier. Airlines more recently are providing upgrades first to elite-level members who also buy higher-priced fare types.

2. Upgrades are more of a benefit when flying longer distances and can help the company avoid higher international business class fares.
3. Make sure travelers know if you have a deal providing upgrades on a space-available basis.

C. Airport lounge admissions

1. Some carriers offer free airport lounge memberships in lieu of a discount.
2. Some provide a limited number of airport lounge admissions on request to develop corporate loyalty.
3. Increasingly, airlines are offering reciprocal airport lounge access for customers of an allied carrier.

D. Membership in special services/VIP programs: Often, corporate deals offer executives special services. The number of executives authorized to take advantage generally is based on the corporation's spend. Carriers also may provide separate airport checkin for some accounts.

E. Bulk purchase tickets: Some airlines offer discounts on a bulk-purchase basis, which requires an upfront payment.

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

G. International safety: Consider investigating an airline's safety and security procedures, or its airport facilities.

H. Customer service and complaints: Be sure copies of all queries and complaints are forwarded to your office. Consider on-time performance, completion factors and other service elements as integral aspects of a preferred relationship. Some carriers and third parties are able to track traveler complaints, which can be powerful data.

I. Regarding airport security hassles, consider availability of checkin options, including Internet checkin and airport self-service kiosks, and such other timesaving services as dedicated corporate checkin facilities.

J. The corporation is relieved of all airline contract commitments during labor-related work stoppages or slowdowns.

Steven Mandelbaum, The Advisory Board Co. managing director of information systems; Prism Group vice president Les Baker; and TRX Travel Analytics vice president and general manager Dan Pirnat provided assistance. ■

Setting Up A Corporate Hotel Program

BY MICHAEL B. BAKER



1 PREPARING FOR NEGOTIATIONS

2 NEGOTIATION TOOLS

3 WHAT TO NEGOTIATE

4 COMMUNICATING AND MAINTAINING THE PROGRAM



Hotel programs generally are the second-largest component of a travel program, behind air, and with the wide variety of brands, companies and independent properties spread across the globe, it can be one of the most difficult categories to tame.

For many travel buyers, putting together a year's hotel program begins right after the final Ts are crossed on the previous year's program. Managing a hotel program involves more than just setting rates with hotels. Buyers also must make sure that travelers are booking preferred properties to meet volume requirements, that travelers are getting negotiated rates from partner hotels and that corporate negotiated rates remain competitive with current market conditions.

Having faced dwindling occupancies and rates for the past year and a half, hotels currently are more amenable than they have been in years past to corporate negotiations, even some luxury properties that historically have held much harder lines on rates and conditions. Buyers are best poised to take advantage of this market when armed with strong data and a strategy that promises hotels an attractive marketshare in exchange for their concessions.

The following steps will help buyers begin negotiations fully prepared, make deals that best benefit their program and travelers and foster long-term relationships to make the process easier down the road.

I. PREPARING FOR NEGOTIATIONS

A. Gathering data: Hotel sales managers will expect business travel buyers to be able to justify projected room night volumes before sitting down at the negotiating table. Buyers should approach negotiations armed with as much validated historical information available to show the company's specific travel patterns, hotel room nights, meeting space requirements and meetings-related spending, including food and beverage and necessary equipment.

1. Tap the following sources to maximize data gathering:

- Travel agency reports and online booking tool reports for both hotel and air
- Credit card reports: Mandate usage of the corporate card, if possible, and consider an electronic expense reporting system to download data automatically so travelers more easily can fill out expense reports.
- Expense reporting and/or accounting records: Work with hotels and corporate card vendors to see if your program might benefit from electronic folio.
- Production reports from past hotel usage
- Meeting registration lists

2. Travel buyers should provide the addresses of the company's offices in each city so they can be mapped. Specific information about your company's travel program will be mutually beneficial for potential hotel partners to have. For example, you could provide:

- The number of hotels in a given city

- that you intend to include in the program
- An indication of whether this number reflects a consolidation of properties in the past few years
- Cities visited at least once a month, including the number of booked room nights from your consolidated volume reports
- The number of travelers that visit each city monthly or annually, determined by airline data
- An overall indication of the corporate travel policy, any recent changes and traveler adherence
- The per diem your company allows, if your travel policy is structured in that manner
- The number or percentage of hotels in each price tier—budget, economy, mid-price with food and beverage, midprice without food and beverage, extended stay, upscale, upper upscale and deluxe—used in each city
- A breakdown of hotels used in each city by location, including downtown and airport properties
- Average length of stay in various cities and at various types of properties
- Seasonality of business and typical day of week usage
- Information on past use of and preference for hotel services and amenities, as well as any forthcoming policy changes that would affect their use
- Changes in the corporate structure, such

as acquisitions or staff changes, that could affect hotel usage

- m. Meetings and incentive trip data. You could provide details including the following:
 - i. Number of scheduled and potential meetings, incentive programs and trade shows held. Provide separate data for annual meetings—including board of directors, customer, incentive, sales and shareholder meetings—versus spur-of-the-moment, offsite staff meetings less likely to be regularly scheduled.
 - ii. Mandates built into the travel policy that require meeting attendees to book rooms reserved as part of a negotiated room block to minimize attrition
 - iii. Meeting types and lengths
 - iv. Number of employees or customers attending the meetings
 - v. Cities used
 - vi. Types of hotels used
 - vii. Arrival/departure patterns
 - viii. Type of food and beverage service provided, including private dinners and banquets
 - ix. Use of audiovisual, videoconferencing, high-speed Internet and audience-response systems

B. Survey or solicit recommendations from senior managers, meeting planners, travel agents, travelers, travel arrangers and coordinators at your company's local offices to supplement your actual data reporting.

C. Evaluating hotel types: Depending on the number of travelers, the locations they visit and the frequency and purpose of those trips, buyers may prefer to deal with a mix of large, convention-style hotels and smaller, more intimate boutique properties. Negotiating chainwide deals with large, multibrand companies might make the most sense, or buyers might opt to work primarily with independently owned and managed properties. Buyers should include extended stay hotels, which are designed for consultants, trainees and trainers who need a place to stay for more than five nights.

1. Hotel chains

a. Negotiating a chainwide deal might allow you to leverage your travel volume to the optimum advantage, especially if many of those nights are booked in second- or third-tier cities, where the volume of business travel is less than in key cities. This strategy might supplement your preferred hotel program.

- b. On a case-by-case basis, it may be efficient and cost-effective to negotiate with one national account sales manager, thereby establishing a single point of contact with the hotel company, rather than negotiating with multiple sales managers at various hotels. However, corporate clients may have to qualify with hotel chains to receive national representation.
- c. By working with a multibrand hotel company or companies, you are able to include hotels at different price points in a single negotiation. While travel buyers traditionally gravitated to upscale, upper upscale or even



deluxe hotels to house their travelers on the road, the playing field has changed in recent years as midprice brands have raised their standards to the point where their offerings and service levels are acceptable to many business travelers.

- i. The value created through free breakfast, free high-speed Internet and free parking makes these locations more attractive.
- ii. As corporations increasingly move out of city-center locations to the suburbs, the most conveniently situated and newer hotels most likely are midprice. In the midprice tier, hotel companies offer two options: midprice with food and beverage and midprice offerings that do not include meals beyond a buffet breakfast, which typically is free to guests.
- d. Not all multibrand hotel companies have the same range of brands. In

fact, some companies essentially are franchise operations in which the brands are concentrated in the mid-price and economy categories. Other hotel companies, meanwhile, offer a broader range of options from deluxe to low-cost hotels.

- e. Chainwide deals frequently are dynamically priced, with an established percentage off best available rates. Some chains will offer a combination of both fixed rate pricing for high-volume cities and a percentage off for all other locations. This may be dependent on overall company spend and room night volume with the chain.
- f. When working with hotels outside the United States, even though demand might be for fewer room nights in a given international location than in key U.S. cities, the more modest number of rooms might not necessarily translate into less negotiating leverage. Given how local markets operate, hotels may welcome even relatively small volumes of business.
- g. Buyers who manage small or midsize programs and have worked mostly with independent properties might have more of an opportunity this year to do business with multibrand chains.

2. Individual hotels

- a. Discounts obtained through volume-based negotiations can be greater when dealing with individual hotels directly than when negotiating chainwide rate concessions.
- b. Hotel chains typically exert the most influence over the properties that they own and manage. By contrast, they exert less influence over room rates at properties that either are managed by others or are franchises. Regardless, once national or global sales managers at the hotel chain have your request for proposal, they will work with their appropriate counterparts at each property to make pricing decisions.
- c. Depending on the travel patterns of your travelers, a hotel program for a city can consist of just one preferred hotel or as many as a half-dozen. Normally, the best rates are achieved by limiting the number of properties per city in a program.
- d. Some buyers have built relationships with property sales managers that may help in cases in which special

consideration is needed.

D. Creating a solicitation bid list

1. Chain hotels

- a. Make sure that the hotel chains you select have properties in most, if not all, of the key destinations your business travelers visit, including international locations.
 - i. Ensure regional chains' distribution is not too limited to suit your needs.
 - ii. Start by assessing chain representation in your highest-volume destinations, then move into lower-volume destinations in declining order of demand.
 - iii. Ensure that the hotel chains offer the range of brand categories that best meet your travelers' needs.
- b. Properties in close proximity to the traveler's final destination should be considered. At the same time, however, there may be extenuating circumstances, including safety concerns, which would dictate including a property that is not in closest proximity to the traveler's destination.
 - i. An airport property might make the most sense, for example, because of the easy access it provides in and out of a destination.
 - i. However, if your travelers tend to rent cars, the difference between a hotel that is five minutes from their business appointments and one that is a 10-minute drive away might not be significant. In fact, you may get better value by choosing a hotel that is only slightly farther away, such as in a suburban location.
- c. In some cases, it might be wise to choose a range of properties in each high-volume destination: downtown, a suburban location and a site near the airport. Today, multibrand hotel companies tend to think of such gateway cities as New York, Los Angeles, Boston and Chicago as a series of submarkets, and they have multiple properties in each of them.
 - i. Deluxe and upper upscale properties tend to be concentrated in the central business district downtown, while midprice, economy and extended stay properties frequently are in the suburbs, along highways or in office park locations.
 - ii. This pattern is changing to some degree, however, as more midprice brands have opened properties in

downtown settings.

- d. Buyers primarily want to be sure to select properties located where it makes the most sense for their travelers. Otherwise, travelers have more reason to book elsewhere and compliance with travel policy becomes an even greater issue.
2. Individual/independent hotels
 - a. Approach hotels that are:
 - i. In safe areas and located in close proximity to sites travelers visit in key destinations, especially corporate and division offices
 - ii. Willing to offer pricing and services in line with your budget
 - iii. Frequently used by travelers and meeting planners. In a given city, any of these factors may be more important than others, depending on whether your corporate culture is oriented more toward savings, traveler convenience, productivity or safety. The level of policy strength that senior management is willing to support also may be a factor in developing strategy.
 - b. A solicitation list should include properties already familiar with the company's travel patterns. Start by examining data on those properties in each

market that your travelers already are booking.

- c. Before agreeing to a preferred relationship with a hotel, be sure travelers realistically will use the hotel for a reasonable number of annual room nights. A strong, enforced travel policy will help make compliance less of an issue.
- d. If your company has the capability to shift marketshare, consider soliciting or accepting unsolicited bids in the next year's bidding process from hotels used by travelers when they book outside of policy. These chains or individual properties may turn out to be the best fit for your program, based on both rate and location, considering that travelers have opted to stay there on their own initiative.
- E. Establish key contacts: After identifying individual hotels and chains for program consideration, contact the right people to get the negotiations started. In the typical hotel, unless there is a corporate transient specialist, identify the sales manager or director who has the authority to negotiate rates. Pre-RFP, e-mail the contacts to confirm the contact name and e-mail address for the hotel. These hoteliers could include:



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1. The hotel's national sales office and general sales office staff
2. Property-level sales directors or hotel managers
3. General managers or hotel owners
4. Regional director of sales

II. NEGOTIATION TOOLS

A. RFPs

1. When gathering information, consider using as a guideline the standard request for proposal format that has been developed by the hotel committee of the National Business Travel Association or another RFP format that is widely accepted.
 - a. NBTA's modular RFP has been updated to support dynamic pricing requests, changing the pricing matrix to set rate ceilings and the percent discount taken from best available and corporate rates.
 - b. NBTA's RFP addresses the needs of the physically challenged, asking such questions as the availability of handicapped parking.
 - c. NBTA's RFP addresses such environmental issues as hotel carbon-offset programs, environmental certification programs, recycling and water conservation initiatives and the communication of such programs to hotel guests. The presence of environmental questions in requests for proposals is growing, although in the United States some buyers use them for informational rather than decision-making purposes.
2. Several vendors also provide electronic requests for proposals, which have become more prevalent as hotels become more accommodating of the technology.
 - a. Third-party hotel representation firms have evolved to provide this technology on behalf of buyers and hotel clients.
 - b. Many hotels already have entered electronic versions of these forms into their computer databases so they can quickly respond to travel buyers' inquiries.
 - c. Electronic requests for proposals use the Internet for faster processing, but the information still often is sent via e-mail.
 - d. Some travel buyers using the electronic process warn against placing too much confidence in the electronic

- signature of a hotel representative and recommend requiring a handwritten signature to accompany the deal closing.
- e. While the electronic process is widespread, many buyers, particularly those with small or midsize programs, still submit requests for proposal forms on paper.
- f. Historically, international hotel companies had a harder time responding to requests for proposals electronically than did U.S.-based hotel companies. The gap has narrowed considerably in the past few years as Asian and Latin American hotels in particular have focused more attention on responding to requests for proposals accurately and in a timely fashion. Many of the obstacles are due to language difficulties and the fact that dates, telephone numbers and other details are recorded differently in those cultures. Electronic requests for proposals can offer hoteliers options to select the date format for ease of use.
3. For buyers for programs with many international hotels, confirm with sales contacts that they have the necessary expertise in-house to complete requests for proposals or are prepared to bring in outside support.

B. Agency consulting solutions

1. Travel management companies may have a department that specializes in developing corporate hotel programs for a fee.
2. There are also a variety of consulting firms that specialize in managing the hotel request-for-proposals process for corporations. Many of these firms have begun offering rate-loading audit programs as well.
 - a. In these cases, a request for proposals provider will provide scrubbed data to a company that specializes in rate auditing. Such scrubbed data ensures that all the numbers and codes provided by the property are complete and accurate.
 - b. Each hotel has a different code for each global distribution system and the correct rate will not be loaded if the appropriate global distribution system code is either missing or incorrect.
 - c. Consider whether it is more efficient and cost-effective for your company to outsource this process than to do it in-house. This may entail conducting

a request for proposals of sorts for an outside RFP provider.

- d. Charges vary widely for the service, depending on the number of cities in the hotel program, whether it is strictly domestic or a combination of domestic and international and the number of hotels in each city being solicited and accepted. Additional services offered might include hotel program performance and program optimization reporting. Buyers should seek recommendations and referrals from colleagues who manage like-size programs when selecting the most appropriate third-party request-for-proposals provider.
- C. **Online reverse auctions:** In an online reverse auction, select hotels in a market are invited to bid down prices for a corporate account. Buyers reported the technology saved time in the rate renegotiation phase but, in terms of information gathering, it is as time-consuming as any other form of RFP mechanism.
- D. **Consider using a "letter of agreement"** with individual hotels and chainwide hotel companies. This letter should include rate information and address any specific requirements requested by a company. Letters of agreement are concise, much less time-consuming and costly than the requests-for-proposals process and generally are better received by hotel properties and companies in the negotiation and contract process.

III. WHAT TO NEGOTIATE

A. Room rates

1. For many companies, an effective solution to building a hotel program is to supplement negotiated rates in top-volume destinations with agency-negotiated rates available through travel management companies.
 - a. Agency-negotiated hotel rates, also known as consortia rates, may be appropriate for the multitude of destinations where the company consumes a relatively small number of room nights.
 - b. Most hotel companies today offer agency-negotiated pricing that is the same as the best available rate of the day, versus the historical fixed-rate model. Based on market conditions, rates in this model can fluctuate as often as daily.
2. Identify cities among your top 25

destinations with lower occupancies, average daily rates and revenue per available room than the national norms. For those, you may want to make a special effort to negotiate locally rather than with a national account manager for a chainwide deal. The need of the local properties to lock in corporate bookings likely will be greater and, therefore, so will your negotiating leverage.

3. New hotels generally offer good value. They especially are eager to lock in corporate business, precisely because they are an untried entity. Consequently, there is a strong likelihood they will offer below-market introductory rates. Stay apprised of any new hotel openings in your key cities, then request proposed rates from the property-based sales team. Remember that the hotels' location and amenity profile still have to be acceptable to your travelers or they will resist the change and that it can take a while for a new hotel to work out the kinks in its operations. Also, be wary of rate increases in the second year. You might have to switch hotels and end up with dissatisfied travelers.
4. The trend among hotels has been toward noncommissionable or net rates, which usually are 5 percent to 10 percent lower than commissionable rates and incur lower taxes. However, airline and car rental segments have gone to zero commission in the past several years, and many observers anticipate that hotel room rate commissions will come under scrutiny next. Regardless, before switching to non-commissionable rates, consider:
 - a. If you go with net rates—on which most deals are based, unless travel management company or consortia rates are used—you might need to renegotiate your travel management company agreement. Clarify this with your travel management company in advance to get a clear understanding of whether its pricing structure will change if you implement non-commissionable rates.
 - b. Net rates also can impact company revenue, if the company is receiving all commissions from the travel management company and paying a transaction fee.
 - c. Hotels may offer a discount deeper than the 10 percent commission they



- save because they avoid commission payment processing and tracking costs.
 - d. Discuss other options being made possible by direct links between hotel reservation systems and corporate intranets, through the Pegasus Electronic Distribution Switch or Internet home pages. Hotels are directly connecting to automated booking systems and corporate intranet sites to cut cost, deliver volume and offer marketing opportunities. However, be cautious with these booking methods, as they could dilute your overall hotel reporting and traveler location tracking capabilities.
 5. Confirm that the independent hotels or chains with which you are working make their negotiated rates available through global distribution systems. When your travelers and travel agents can access negotiated rates through global distribution systems, it improves the likelihood that your travelers will be able to book such rates through the proper channels and provides for more accurate data tracking.
- B. Amenities that will be included as part of the corporate rate.** Midprice properties often include many as a part of the standard rate, but consider negotiating for:
1. High-speed Internet access
 2. Suites and business-class rooms
 3. Restaurants, bars, mini-bars and room service
 4. Meeting rooms
 5. Health clubs
 6. Business centers
 7. Garage and/or valet parking
 8. Non-smoking rooms; some hotels have property-wide smoking bans
 9. Green initiatives
 10. Loyalty program restrictions and requirements
 11. Breakfast
 12. Free local phone calls and waived surcharges for toll-free calls
- C. Taxes/surcharges:** For budgeting purposes, factor in hotel occupancy taxes and additional city and state taxes or fees and any surcharges. Many municipalities in recent years have enacted significant "bed taxes" to pay for infrastructure improvements, which dramatically increase hotel costs. Surcharges, usually assessed at a flat rate instead of a percentage, add further costs. Travel buyers can move group bookings to destinations where the tax bite is lower. Negotiating noncommissionable room rates also can save on total taxes paid.
- D. Web rates:** While discount web rates available on some Internet third-party sites initially were intended for leisure travel, business travelers have used these sites as well, searching for bargains. It is important to understand, however, that many of

the web rates may include significant user rules or restrictions.

1. The most onerous restriction, given the last-minute itinerary changes often affecting business travel, limits travelers' ability to cancel or postpone reservations. Hotel reservations are prepaid, so buyers and travelers can get stuck being billed for a hotel room that went unused. Also, the company loses the tracking of the room night, lessening leverage in future negotiations.
2. Regardless of whether your company's travel policy restricts the booking of these discount rates, buyers should benchmark the rates available online for midweek travel in order to get a true sense of market pricing. If negotiated rates are consistently undercut by web-only rates, the credibility of a hotel program for corporate travelers can be undermined.

E. Strategies and terms to address

1. The volume to be directed to the hotels. Agreements often do not spell this out. When guarantees are requested from a hotel, first negotiate to set volume goals rather than guarantees. This is why buyers refer to volume projections rather than commitments of any kind. Avoid volume guarantees unless the discount is significant enough to justify the one and the commitment can be met. If a guarantee is agreed upon, ensure a thorough understanding of how room nights will be tracked and reported. The hotel's recourse, if the client fails to perform to its satisfaction, is to reevaluate the negotiated rates, based on actual room night usage, and possibly not renew the arrangement. In some contractual arrangements, if a company fails to meet its room night goal, a hotel may be able to collect the dollar amount equal to the total room rate for the unused rooms.
2. If you hold many offsite meetings, leverage meetings volume with transient travel.
3. Historically, hotel agreements lasted for at least one year, but some buyers employ a multiyear strategy. Buyers should be cautious with this approach to ensure that a two-year rate is not inflated to account for the unknown rate of increase in year two. Many hotels will not offer multi-

year rates, though a down economy increases their willingness to do so.

4. A list of the chain's participating hotels and the daily room rates each will offer
5. A guarantee that the agreed-upon room rate will remain in effect for 12 months
6. If the hotel is willing to include a last-room availability clause, mutually agree on its definition. Few hotels define last-room availability as run-of-the-house, meaning any room available in the hotel, which would include suites and concierge floor rooms. Hotels often charge a premium during a seller's market, but in down cycles buyers should be able to get it at no additional charge. In case a hotel asks for a premium, you should request in the RFP process to receive both rates with and without last-room availability so you can make the proper decision.
7. How reservations will be made for each hotel through a travel management company, a corporate travel department, online booking system, online-originating agency and the method of payment for the rooms will be paid for, including corporate card. Requiring travelers to get the rate through the corporate booking tool drives compliance and assures that only approved company travelers are accessing the rate. As booking on hotel websites grows in popularity, see if technology is in place that will allow you to receive credit for these stays toward your volume projections.
8. A corporate identification number may be needed by each traveler to make reservations.
 - a. More likely, the hotel will have the rate recorded by company name if the traveler books direct or walks in. Most travelers, however, book through the designated travel management company, and the corporate booking code is included in the global distribution system.
 - b. As a backup, be sure travelers know what the negotiated rate or discount percentage is and that they should request it. Travelers should be careful to identify their company when making the reservation and at check-in to ensure they get the negotiated room rate and so their stay counts
- toward fulfilling the volume projection the company made during negotiations. The negotiated room rate should be included in the corporate online booking tool or global distribution system.
- c. Similarly, travelers should know what value-added amenities, if any, have been negotiated on their behalf, so they can avoid paying for services to which they are entitled on a complimentary basis.
9. Consider setting standards for the types of safety and security systems your company expects preferred hotels in the program to have in place. Considering the company's potential liability should a traveler be injured or become the victim of a terrorist incident, it may be advisable to review all appropriate safety and security concerns with your corporate counsel in advance of finalizing any hotel agreements. Safety is one of the best reasons to mandate the booking of all hotel rooms through the corporate travel agency. Complete passenger name records are pushed to travel risk management companies so that travelers can be tracked for both airline and hotel use.
10. Minimum discount off corporate or consortia rate
11. Enrollment in the hotel's frequent guest program or an upgrade program for VIP travelers
12. An indication of when preferred rates will be loaded in global distribution systems and when hotels that weren't accepted into the program will be pulled out of the global distribution systems. Understand what steps will be taken if the rates are not loaded by that date or if non-preferred hotel rates are not removed by a given date.
 - a. Responsibility for rate loading may be at the national chain level or the local property level.
 - b. Also, promise when decisions will be made by the company for the RFP process so that your vendors will have ample time to load rates prior to the beginning of the booking cycle. Allow for additional time or a cushion period to protect against delays in the decision-making process.
13. Having the negotiated rate available through the hotel chain's toll-free reservation number or website



14. Cancellation policy
15. Corporate meeting rates
16. Early departure fees
17. A statement on the mandates included in the hotel policy and how compliance is enforced
18. Special weekend and/or holiday rates that employees can use for their personal leisure travel
19. A clarification of whether the corporate rate will be extended to include consultants, job applicants and other guests. This can be difficult in times of high occupancy and low supply when allowing these travelers access to the corporate rate can limit availability of rooms for company travelers, while not necessarily helping the company bottom line. Corporate travel managers can also allow the hotel companies to charge different rates for their vendors and other travelers, saving the discounted rates for their company's travelers.
20. A timetable, should the hotel anticipate undertaking major renovations or remodeling during the period of the agreement. Such projects can become disruptive or inconvenient. Include your potential recourse for disruptive or unavailable rooms.

IV. COMMUNICATING AND MAINTAINING THE PROGRAM

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

and monitoring traveler compliance.

- A. Negotiating is most effective when the relationship is respected and the outcome is mutually beneficial. In a stronger market, the value of a more mandated, controlled program increases. The program needs to have some teeth to be successful in any economic climate. This applies to dramatic changes when it is important to remain loyal to preferred hotels even as nonpreferred hotels are offering lower rates. Help hotels build their business in return for rate concessions. Ways to strengthen negotiating clout include agreeing to help market the preferred hotels to employees.
1. Post the preferred hotel directory on the company intranet. Hotels may welcome an opportunity to advertise on your site or link to theirs, so travelers can see pictures of properties and meeting facilities, enrollment forms for frequent traveler programs and driving directions to the properties. Be sure the directory indicates available value-added amenities at each hotel. Proximity to company office, when available, should be included.
 2. Look at ways to leverage property rankings in the hotel directory or online booking tool.
 3. Distribute brochures from hotels to employees and meeting planners.
 4. Allow hotel representatives to make periodic presentations to groups of travelers and meeting planners.
 5. If your company allows, offer to include news on hotel promotions, leisure destinations and vacation packages in ticket inserts, newsletters, e-mails or on the corporate intranet.
 6. Company travel departments or travel management companies should direct business to hotel properties, adjusting as necessary, to ensure that contractually promised room night numbers are reached within the contract period.
- B. Early in the agreement period, buyers will want to conduct a rate audit to ensure the correct negotiated rates can be accessed in the global distribution systems.

1. Rate-loading issues have prompted some buyers to audit rates on a quarterly or even monthly basis.
2. The agent performing the audit should confirm the ability to book every negotiated rate, including seasonal rates, at the preferred hotels in each global distribution system used by the travel management company.

Upon uncovering inaccuracies, it is incumbent on buyers to follow up with the offending hotels to have errors or omissions corrected. Conduct successive audits to confirm that the situation is rectified.

3. Hotel chains or individual properties that fail repeated audits should be given a deadline to resolve the problem or be removed from the program.
- C. Many hotels have viewed the prospect of being removed from a hotel program because of rate-loading inequities as more of a threat than a reality. Buyers easily can reach an impasse as hotels neglect to adjust the rate loaded into the global distribution system and travelers continue to book the inaccurate rates that remain in the system. Even errors uncovered in a January audit can take months to correct. Much of a buyer's leverage depends on the size of the travel program in question and the importance to the hotel of this particular piece of business.
- D. Establish a calendar—quarterly is recommended—that sets appointments with hotel sales representatives to review terms of the contractual agreement so that each party upholds its end of the deal. If time constraints prevent quarterly appointments, meeting with hotel representatives once each year should suffice.
- E. Solicit feedback on preferred hotels through questionnaires, comment cards or surveys via e-mail or intranet sites. Share feedback with property management.
- F. During the time period in the contractual agreement, if the hotel is benefiting from greater room night volume than anticipated, discuss with the property sales manager the possibility of a more attractive rate when the agreement comes up for renegotiation. In current market conditions, renegotiating midyear with hotels has been successful in many markets. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate in the other direction.

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Working With Chauffeured Providers

BY CHRIS DAVIS

While chauffeured transportation travel expenses have proven in the past 18 months to be too inviting a target for senior executives desperate to cur travel costs or skittish about perceptions of extravagance not to gut, car services, if managed effectively, can be an important, justifiable and cost-effective component of a corporate travel program.

Most senior executives with any understanding of risk management see the value in allowing their business travelers to arrive at their hotels without needing to navigate streets in an unfamiliar city in a rental car or decipher public transportation options, especially late at night after a long flight.

To be certain, demand for chauffeured services has dropped, and significant negotiating opportunities abound for buyers as small and large providers alike offer deals not only on limousines, but also on other vehicles like black cars and luxury sport utility vehicles that might seem to executives a less extravagant option. Those types of vehicles also mesh with new corporate travel policy directives that require at least two travelers per car when possible, enabled by technology that manages travelers' ground transportation needs.

Meanwhile, one aspect of chauffeured transportation is becoming costlier: gas prices, which have been on the rise for several months, a trend unlikely to change anytime soon due to the springtime oil-spill disaster in the Gulf of Mexico. Chauffeured suppliers generally have kept their surcharge formulas in place, in some cases percentages based on the price of gas listed by the U.S. Department of Energy, in others a percentage of the cost of the transaction.

The following are key points for chauffeured transportation company negotiations.

1 GATHERING DATA

2 SETTING STRATEGY

3 PREPARING AN RFP

4 NEGOTIATING AND EVALUATING A BID



I. GATHERING DATA

Because the dollars spent on car service often are more difficult to quantify than in other travel segments, present as much data as possible to potential vendors.

A. Sources of data: Obtain usage statistics from one or more industry sources.

1. Travel agencies can provide an estimate of car service usage by counting air segments booked without a rental car. However, this also would include travelers using personal cars or public transportation, not just car service.
2. Credit card vendors can provide the total charged on the corporate card for car services by using merchant service codes. However, some vendors lump car services in with car rentals and taxis.
3. Car service companies can provide data on actual spend for the prior year.
4. The corporate accounting department may be able to provide the percentage of travel and entertainment expenses that are spent on taxis, parking reimbursement and car services.

B. Types of data: Gather as much information as possible on overall use, including locations with high volume.

1. Total volume: Gather total car segments—a typical trip contains four segments, to and from the airport at each

end—and add individual expenditures.

2. Locations: Include frequent destinations, company offices and international locations for a global agreement.
3. Special billing needs: Include the types of reports needed, cost center or case number data and whether to use direct bill versus credit card billing.
4. Average length of trips and use of flat versus hourly rates
5. Types of vehicles: sedans, limos, minivans or buses
6. Vehicle use by individuals and groups
7. Special events requiring car services
8. Service requirements, such as in-car mobile phone, wireless Internet access, newspaper or other amenities, driver requests, vehicle type, car color, alliances with air or hotel loyalty programs
9. Method of making reservations: by phone, global distribution system, third-party or vendor website or direct link with vendor. If by global distribution system, are transactions confirmed instantaneously?
 - a. Different vendors have different types of interfaces with global distribution systems.
 - b. Similarly, are online bookings confirmed by e-mail or in real time? Can the company set up a client-specific website to enable travelers to book directly? Can it

track these bookings?

10. Car rental supplier partnerships

- C. Arrange an onsite visit, ideally at a location where your volume is highest during peak hours, to check the availability of cars, level of maintenance, types of technology being used and professionalism of dispatchers and drivers. Consider setting up a pilot arrangement with the vendor over a limited period of time to test service and performance, including the billing mechanism and problem-resolution process. Large suppliers may have local representatives to assist.

II. SETTING STRATEGY

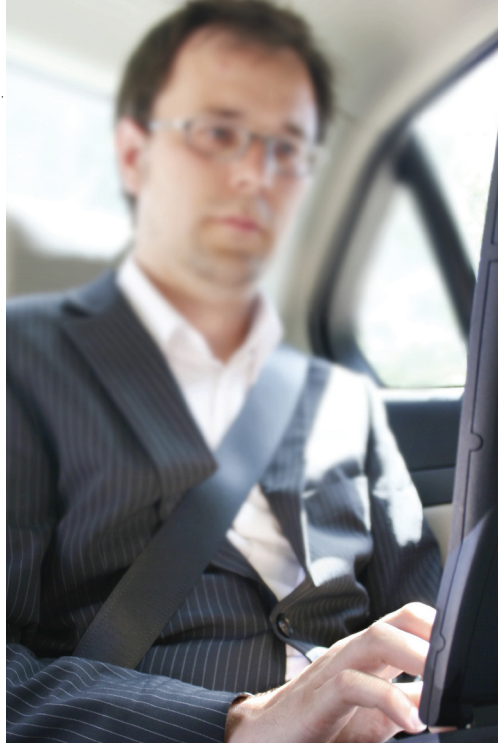
Analyze patterns of traveler usage of sedan and limousine services in consideration of one of the following typical arrangements.

- A. Exclusive nationwide or global agreement with one vendor, using corporate-owned locations, licensees and affiliates
- B. One nationwide agreement with a primary supplier, supplemented by agreements with local vendors
- C. Agreements with two or more vendors at a location, creating competition that could result in better service

III. PREPARING AN RFP

Weigh your priorities and create a request for proposals that details your requirements. Keep the RFP simple to make analysis more efficient, and note that suppliers may not respond to RFPs focused too heavily on rate alone. Allocate a proper amount of time for vendors to provide a meaningful response. Consider including:

- A. **Provider profile and background**
1. How long has the firm operated?
 2. How many locations does it own?
 3. How many affiliates, licensees or franchisees does the firm have?
 - a. How often does the firm call another company to handle reservations when it doesn't have enough cars?
 - b. How are affiliates selected and quality standards maintained by the corporate office at these locations?
 - c. Does the company require the same licensing, training, security checks, and drug testing for drivers at its affiliated or licensee locations?
 - d. What is the resolution process for problems with affiliates?
- B. **Fleet information**
1. What is the size of the active fleet and breakdown of types of vehicles?
 2. What are the primary makes and



models of vehicles?

3. What is the average and maximum age of cars in the fleet and average and maximum mileage? At what point are cars retired from the fleet?
4. Describe the company's maintenance program, including frequency of inspections, washings and maintenance and whether an audit of inspection reports is permitted.
5. Are cars equipped with maps, global positioning systems and emergency road service systems?
6. Are stretch vehicles certified?
7. Are hybrid or alternative-fuel vehicles available?

C. Driver information

1. Describe the hiring of chauffeurs. Are background and security checks and drug and alcohol tests performed?
2. What are the driver training and safety requirements? Are chauffeurs are tested upon completion with a written or road test? Do chauffeurs participate in a certification program? If so, is the program administered by a third party?
3. Does the company review licensing reports regarding their chauffeurs to assess any violations?
4. Are chauffeurs licensed under a local jurisdiction?
5. Are chauffeurs employees or independent contractors? Are independent contractors allowed to sublease their cars to others?
6. Are chauffeurs allowed to work double shifts?
7. Are chauffeurs required to be fluent

in English, or in the language of the country where service is offered? Are some fluent in other languages?

8. In how many reportable accidents were chauffeurs involved last year?
9. What is the average tenure of chauffeurs and turnover rate?
10. What disciplinary action is in place for driver offenses?
11. Are armed driver services offered?

D. Insurance requirements

1. What levels of insurance does the company have?
2. What is the name and address of the principal insurance carrier? Ask for a copy of the certificate of insurance.
3. Work with your company's risk department to determine level of coverage needed.
4. Request copies of the company's insurance certification, including:
 - a. Automobile, including owned, non-owned and hired vehicles
 - b. Commercial/general liability
 - c. Statutory worker's compensation
 - d. Umbrella liability
5. What is the minimum insurance requirement for chauffeurs? Are they required to purchase it and, if so, from the company's insurance firm?

E. Reservations

1. Which passenger data are requested and maintained?
2. What is the average call length and percentage of calls answered in 20 seconds or less?
3. What is the average tenure of reservation staff? What type of training, quality monitoring is in effect?
4. Are reservations taken by phone, global distribution system or online?
5. Does the company have a voice or computer dispatch system?
6. Are its computer systems integrated? Ask for information on the system for reservations and dispatch.
7. Are chauffeurs allowed to accept customers from different accounts for a single ride?
8. Are rides confirmed before pickup?
9. Are flight delays, cancellations or changes monitored?

F. Rates

1. Does the company charge a flat rate or an hourly rate? Do pricing models vary by location? Do charges begin when the passenger is picked up, or when they driver leaves the lot?
2. If it charges a flat airport rate, is the amount the same for departure and arrivals? If not, what is the difference?

Does the rate have an hourly minimum and/or maximum? What type of rate kicks in after the limit? Does the company charge other airport fees? What are the wait fees? Does it provide airport terminal meet-and-greet services? Do in-terminal airport pickups incur additional charges? How long do chauffeured cars hold for domestic and international arrivals?

3. How does the company assess fuel surcharges? Are they negotiable?
4. Are there out-of-town, late-night, weekend or holiday surcharges? Is there a charge for stops en route?
5. Are there any reservation-processing fees?
6. What is its international pricing? Are there extra mileage charges or high tax rates at overseas locations?
7. Does the company levy ASAP request fees?
8. What are the extra charges for special vehicles?
9. For how long are rates guaranteed?
10. Does it offer discounted rates based on volume? If so, what are the thresholds?
11. Are upgrades or discount coupons negotiable?
12. How are chauffeur tips handled?

G. Billing

1. Can the company bill electronically? With what software and in what formats are spending data transmitted?
2. Can it provide reports that reflect usage patterns? In what format? How can the data be sorted?
3. Can it provide ride voucher copies?
4. What is the standard timeframe for billing and payment?
5. Overseas, is billing available in U.S. dollars?
6. Does the company provide central billing account features? Are credit card or charge card acceptable forms of payment? If so, which details are broken out on card statements?
7. Is there a mark-up for corporate card payment to cover merchant fees?

H. Other services

1. Does the company offer a VIP program? If so, describe it. Does a different rate apply?
2. Is it allied with airline or hotel loyalty programs? If so, determine any soft-dollar benefits the frequent customer program provides the traveler.
3. Does it provide meeting services? If so, does it assign onsite dispatchers?

Is there a charge? Are any other special services available, such as employee pooling or special multi-city business trip support?

4. How does the company handle passengers who are more than an hour late, or don't show up at all? What charges are imposed? How would the company communicate the situation to the passenger and the corporate travel office? How long will the driver



wait if the passenger, reservationist or travel office cannot be reached?

5. Does the chauffeured transportation company have an alliance with a car rental company?
6. Does the chauffeured transportation company subcontracting work to other companies or independent drivers? If so, contractually require your approval beforehand, and ensure the subcontractor meets all your requirements, including insurance.
7. How is the company implementing environmental or corporate social responsibility initiatives?

I. Customer service

1. How is quality managed? Is there a formal customer service program?

When is it available?

2. How does the company provide indemnification—a complete description of what is covered and how any dispute will be resolved? How many employees handle customer complaints? What is the timeframe for resolution of complaints?
3. Is a dedicated manager assigned to the account?
4. What mechanisms does the company

use to measure customer satisfaction? Can it provide weekly records for all rides?

J. Company protections

1. How does the company protect the data privacy of its clients? Does it describe what constitutes a breach of privacy, and how it will be remedied if it happens?
2. How does the company protect clients from a change of ownership?

K. Request references from customers with comparable volume and needs.

L. Describe any new technological, fleet, service or operations enhancements the firm is planning.

M. In-car amenities: Chauffeured transportation providers in recent years have added such offerings as wireless Internet connections, satellite television and radio, and even bulletproof exteriors.

1. What amenities are offered to passengers? Do such offerings come standard with all cars?
2. What charges are associated with such offerings?

IV. NEGOTIATING AND EVALUATING A BID

Keep in mind your company's service needs and budgetary limits. In general, a local car service provider will charge less than a national one that has a more sophisticated technology platform. Weigh the true value of a vendor: Some suppliers will negotiate discounts, while others prefer to offer added services, such as an onsite representative or an account manager. Be sure the vendor will assist you in implementing the program and that the sales team provides support.

Deutsche Bank global head of travel-related services Debbie Dayton and CWT Solutions Group senior director of ground consulting Dave Kilduff provided assistance. ■

Working With Car Rental Companies

BY CHRIS DAVIS

Beset by a relentless string of maladies in 2009—sharp demand cutbacks, an excess of supply, a crippled resale market and their automaker suppliers' financial implosion—the major car rental companies so far have enjoyed a surprisingly resurgent 2010, with much better financial outlooks and a stronger position in corporate negotiations.

A strong push by car rental companies to reduce fleet size enabled them to hike leisure rates, but similar increases haven't yet taken hold in corporate contracts, many of which were negotiated in more buyer-friendly times. Corporate demand remains low enough that buyers with the ability to quantify and control their car rental needs should be able to strike solid deals.

Among other industry changes, fleets are smaller, taxes levied by governments are swelling and suppliers continue to inch closer to levying no-show fees in the United States.

Meanwhile, more consolidation is imminent, as at press time Avis Budget Group was trying to counter Hertz Corp.'s announced acquisition of Dollar Thrifty Automotive Group. Whatever the endgame, buyers likely will be left with only three major U.S. corporate options: Enterprise Rent-A-Car, Hertz and Avis Budget.

As such, it's critical for corporations to implement clear policies and procedures surrounding car rental. The following are some key points for negotiating with those suppliers.

I. GATHERING DATA

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

A. Sources of data: Various types of usage statistics can be obtained from car rental firms, travel management companies and expense management systems. Most corporate charge card data only show the complete sum of the spending parts—not yet detailing such expenses as insurance costs, fuel surcharges and other miscellaneous state and local taxes and fees.

B. Types of data: Gather as much information as possible on overall usage and provide breakdowns for cities or areas with high volume.

1. Total volume, expressed in the number of rental transactions, number of rental days and expenditure level
2. Average number of miles driven per day and percentage of rentals and rental days that a car drives beyond various thresholds, such as 75, 100 and 150 miles
3. Breakdown by class of cars rented, i.e., compact, intermediate, full-size, two-door, four-door, etc.
4. Number of inter-city or one-way car rentals, including destinations
5. Number of multiple-day, weekly, monthly, weekend and one-day rentals
6. Breakdown of rentals by day of the week, week of the month, and month of the year
7. Locations where most corporate car rentals have taken place
8. Evidence of travelers' safe driving re-

ords while on company business, particularly if you plan to seek collision damage waiver or loss damage waiver coverage

9. All information available on international car rental usage
 10. Percentage of car rentals booked through global distribution systems, travel management companies and online self-booking systems
 11. Compliance with existing preferred car rental deals
 12. Rentals by those under age 25
 13. Special billing needs, including regional billings, those coded certain ways for tax purposes and the need to track unlimited mileage, and percentage of total that is master-billed
 14. Frequent flyer mileage points accrued for travelers' car rentals
 15. Service requirements, such as automatic checkin, valet parking and non-rental service requirements, including off-airport parking, car washes, maintenance, global positioning system units and electronic toll-pass devices
 16. Data on your company's accident and loss history, if providing it will be favorable to you in the negotiating process
 17. Data that show your company is established and stable with strong and enforced travel policies
- C. Arrange an onsite visit, ideally near your corporation's largest location, during a peak demand period to see how well the firm can handle your business.**



1 GATHERING DATA

2 SETTING STRATEGY

3 PREPARING AN RFP

4 NEGOTIATING



II. SETTING STRATEGY

Corporate culture is a major factor in determining which car rental vendors to consider and which contractual elements to emphasize during negotiations. Survey some of your most frequent travelers about their car rental experiences. Here are various types of corporate car rental relationships to consider:

- A. Exclusive nationwide or global contract with a single car rental vendor
- B. Agreements with one primary supplier and one or two secondary suppliers in case the primary vendor is sold out, cannot provide convenient service or lacks locations in key areas. Secondary providers typically are not needed for clients with a total volume of less than \$1 million annually.
- C. A nationwide agreement with one supplier, supplemented by agreements with local vendors, often providing lower rates in high-volume areas. Determine whether costs will be lower if you give all of your corporate volume to a national vendor or deal with local operators. Small corporations without large national volumes often can do well locally.
- D. Agreements promising approximately equal volume to two or more vendors
- E. Some combination of the above
- F. One or more agreements for international service
 1. This can be part of a worldwide agreement with your domestic vendor, a separate agreement with your domestic vendor or a deal with a vendor you do not use domestically.
 2. Corporations seeking to negotiate global contracts often already have consolidated with one travel management company internationally.
- G. Look into alternative programs like car- and fleet-sharing for short-term rentals if you are in a participating market. Car-sharing options can be beneficial for intra-city travel.

III. PREPARING RFPS

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

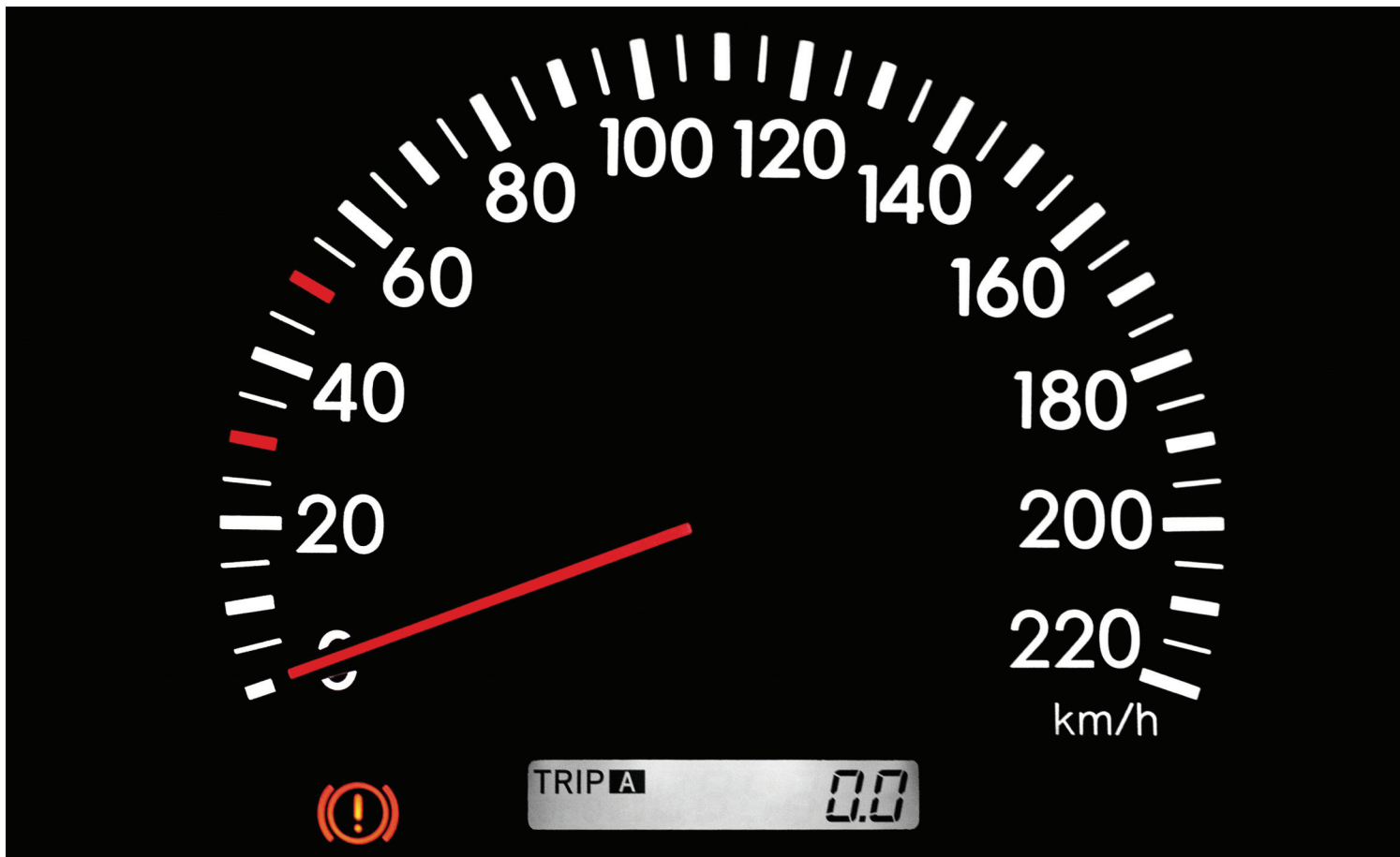
- A. All the data you can gather on your historical mileage levels
 1. How will base rates differ under

agreements in which mileage is unlimited versus those with a per-mile fee above a mileage cap?

2. How has the current economic downturn changed your company's travel patterns?
- B. A description of all the vendor's insurance and related products, including base rates, if included
 1. Collision damage waiver or loss damage waiver: A daily fee relieving car renters from responsibility for accident damages and/or stolen vehicles and loss of use of the vehicle
 2. Liability insurance for accident damages to other people and property
 3. Personal accident insurance covering injuries to the renter
 4. Personal effects insurance covering loss of the renter's personal property in a lost or stolen rental car
 5. Supplemental liability: An umbrella policy that covers companies beyond the state's minimum requirements
 6. Note that many large companies self-insure or use insurance provided by their corporate charge card programs. If you have your own insurance, check with your company's risk management department to be sure it covers car rentals overseas.
- C. Details of emergency road service: Is it provided through a national 24-hour service or local operators?
- D. Examples from car rental vendors of standard and customized management reports provided to other corporate clients. Know what information you and your management team require to compare needs with vendor capabilities.
- E. The vendor's capabilities for gathering and reporting spending data on your account? To what degree can you drill down transactions by name, location and date?
- F. References from customers with comparable volume and location to yours, as well as from accounts no longer using the company as its preferred supplier
- G. A list of the vendor's outlets near your major locations and in destinations that together represent at least 50 percent of your total rental volume. Consider off-airport locations with lower prices and fewer surcharges. Also, obtain a list of franchised versus corporate-owned locations, and outlets that do not participate in corporate negotiated rates.
- H. A list of airport locations that the car rental vendor indicates are on- and off-airport. Also, list airport locations by mode of conveyance from terminal to rental counter

and then to vehicle. This will have an impact on speed and service.

- I. A list of all surcharges for high-cost cities or for one-day midweek rentals
- J. A list of supplemental charges by location, including taxes, other local surcharges, off-airport access fees or on-airport concession fees. Buyers should get a breakdown of all charges that are government-imposed.
- K. Request fixed refueling rates.
- L. Many car rental suppliers offer special rental services, enhanced programs and clubs for VIP travelers and frequent renters. Ask suppliers to describe any such programs. Factors to consider:
 1. The maximum number of VIPs that a company can enroll
 2. Benefits such programs offer
 3. Whether such VIP programs would drive travel policy compliance
 4. Extra fees for loyalty miles earned on rentals
 5. Other associated costs
 6. Whether the supplier has affiliations or partnerships with airlines, hotels or other corporate travel suppliers for frequent flyer or other loyalty programs
 7. Whether there is a cost to the buyer for such programs
- M. An assessment of the vendor's internal quality-control programs
- N. A description of safety enhancement programs and vehicle safety systems
- O. Information on the average age of the fleet and time after which cars are returned to manufacturers or resold
- P. Information on the financial health of the vendor and its ability to provide the fleet and services you require
- Q. If availability has been a recurring problem, ask the car rental company for a "guaranteed availability" clause that will ensure employees will get a car, regardless of day, time and location.
- R. Investigate the technological capability of vendors regarding access to rental inventory and reservations. Is online booking available?
- S. Special programs, such as onsite fleets, one-way car rental rates from the airport and one-way flat rates between certain citypairs.
- T. Technologies available to renters. Does the provider offer global positioning systems, satellite radio availability, wireless connectivity, electronic vouchers and cars installed with electronic toll payment devices?
 1. Can such amenities be worked into a



negotiated rate?

2. Does the car rental company use such devices to monitor traveler whereabouts or enforce speeding violations?

U. Request a list of participating locations. Not all car rental locations participate in corporate rate or insurance programs.

V. Ask about the availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Hybrid vehicles can be significantly more costly to rent.

W. Consider whether the car rental company has an alliance with a chauffeured transportation company. If so, what benefits can be derived from that partnership, and what are the requirements to receive them?

IV. NEGOTIATING

Currently, the most popular concessions are unlimited mileage, premium club memberships and insurance. To a lesser degree, concessions for which corporate buyers also can negotiate include upgrades, waiver of drop-off charges and elimination of add-on charges for one-way rentals and free delivery of vehicles to corporate headquarters or other company office locations.

It is critical to understand your actual car rental usage to understand the total value of the contract terms offered. Type of car rented, day of week, length of rental, rental city and whether the car was taken one-way or round-trip can affect price. Here are items open for discussion:

A. All corporate agreements have a flat rate per day for each car class.

1. Discuss with the car rental company what will happen should any rates be published that are other than corporate negotiated rates. While some suppliers automatically honor the best available rate, others don't. Ensure this circumstance is addressed in the corporate agreement.

2. Ensure your travel management company will search for best-available car rental rates.

B. Unlimited mileage rates versus rates with a mileage cap: Most companies opt for flat rates with unlimited mileage. Of those corporate contracts with a mileage cap, many set a limit of 75 to 150 miles per day, with 100 miles being the standard. Per-mile charges starting at about 25 cents are assessed on top. Do not have your travelers pay the higher unlimited mileage rate if

they drive an average of 50 miles or less per day.

1. Relying only on averages can be deceiving, because rental cars driven only a few miles distort the averages. Identify the percentage of car rentals and rental days exceeding 100 miles, with geographical breakdowns.

2. Consider the availability of "time and mileage" agreements, which involve low daily rates but per-mile charges starting from the first mile.

C. Special rates in cities where you have high volume and/or special rates for weekly, monthly, multi-monthly, partial-day, hourly and one-way rentals

D. One-day rental surcharges: On which days of the week do they apply, in which seasons and in which locations? Mitigating high mid-week surcharges could lead to substantial savings.

E. City surcharges, assessed on top of the daily contract rates in key travel destinations where costs are high

F. The term of the contract and specified limits on annual rate increases

G. The extent to which vendors will add international car rental volume to domestic volume for the purposes of establishing

- worldwide rates. The success that is possible from leveraging the company's international car rental mix will depend on vendors, volume, the international proportion of the volume and the international locations that travelers frequent.
- H. Free rental days in exchange for specified numbers of paid rentals
 - I. Data to be provided in management reports and the preferred presentation format and frequency: Is detailed data on your spend provided electronically in real time?
 - J. Free or reduced-rate collision damage waiver or loss damage waiver coverage, if corporate travelers are not covered by other insurance.
 - 1. At least a minimum amount of coverage is required. The standard amount for several years had been \$100,000 maximum coverage per person up to a total of \$300,000 per incident, in addition to \$25,000 for personal property.
 - 2. Several car rental vendors have lowered coverage to minimum levels allowed under state statutes.
 - K. Rate concessions based on your company's commitment to building volume: Consider tightening your corporate travel policy to mandate use of preferred vendors or cover international travelers, linking the car rental company to your corporate intranet and/or broadening your program to include fleet replacement or other services.
 - L. Discounts for safe-driving programs
 - M. Reduced rates for older vehicles
 - N. The policy for situations in which promotional rates lower than your contracted rates become available for certain markets, seasons or days of the week
 - O. A mileage radius within which your company's travelers can pick up a car at one location and drop it off at another location at no additional cost
 - P. Special shuttle rates if large numbers of travelers drive between two specific cities
 - Q. A grace period after the stated end of the rental period during which a car may be returned at no additional cost to the company. Some suppliers have shortened their grace periods during the past few years.
 - R. Free upgrades to higher car classes when available, and free delivery of rental car and/or drop-off
 - S. Provisions for employees under age 25, who normally are charged higher rental rates
 - T. Procedures for central billing of car rentals by non-employees, including job candidates and consultants



- U. Whether the vendor provides the option to refuel at market prices. If not, discuss reduced refueling charges, specifically negotiating a reduced price per gallon. Having travelers fill the tank before returning their cars is the least costly option, but if your internal data shows travelers regularly are paying the higher price for not doing so, negotiate a reduced price per gallon for gas into your base rate. It is best to deal with this up front.
- V. Find out if your company has an above-average accident and loss history and, if so, let the vendor know. Vendors may request this information in any case.
- W. Require vendors to allow audits of completed rental transactions and reimburse you for charges that do not conform to your contract. Don't let vendors assess penalties for requested billing adjustments that turn out to be unwarranted.
- X. It's advisable to negotiate with the car rental company to reduce or eliminate blackout dates, depending on a company's size spend and ability to shift volume. Otherwise, get a list of blacked-out or sold-out dates and cities for the upcoming year. This will help calibrate service expectations and allow travel managers to notify travelers in advance.
- Y. Evaluating a bid
 - 1. Assess the components that are most important to your company and use a grid that gives more weight to those responses.
 - a. The most common factors other than price to consider include service quality, domestic geographic coverage, airport location and the speed of rental and return processes.
 - b. Also consider international geographic coverage and report capabilities.
 - 2. Research the car rental vendor's financial stability to help determine its overall ability to deliver. Consider any changes that may be a consequence of industry consolidation. Assess the company's ability to provide continuing levels of service, reporting capabilities, rental car availability and other aspects of the rental transaction. If your car rental company is in partnership with a chauffeured transportation company, see if there is an opportunity to negotiate a bundled program.

Neil Abrams, president of Purchase, N.Y.-based Abrams Consulting Group, and CWT Solutions Group senior director of ground consulting Dave Kilduff assisted with this report. ■



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Evaluating Corporate Travel Automation

BY DAVID MEYER

Deploying travel management technology can help companies reduce headcount, streamline processes and gather more timely and accurate information for decision making, ensuring employee safety and policy compliance and taking corporate social responsibility.

Essential steps are identifying the specific parts of the travel process where automation can be most effective, determining which tools would work best and developing a travel management strategy that includes a focus on data access and management.

This guide will examine strategic considerations and benefits related to corporate travel automation, including global distribution systems, corporate online booking and traveler profiling tools, mid-office workflow systems, mobility, videoconferencing, management reporting and expense reimbursement systems. It also includes a section highlighting increasingly available end-to-end travel automation systems and offers a list of suggested questions for those buying technology.

1 STRATEGIC TECHNOLOGY PLANNING

2 GLOBAL DISTRIBUTION SYSTEMS

3 ONLINE BOOKING TOOLS

4 MID-OFFICE QC/WORKFLOW SYSTEMS

5 MOBILITY

6 VIDEOCONFERENCING

7 MANAGEMENT INFORMATION REPORTING

8 EXPENSE REPORTING

9 END-TO-END AUTOMATION

10 QUESTIONS



I. STRATEGIC PLANNING

A. Begin developing a travel technology strategy by identifying and examining the areas where your company can make the greatest gains through automation. Make certain to involve your IT department early on in the process. Corporate buyers should ask:

1. How can automation improve your travel program?
2. How prepared is the company to market the use of technology to travelers and travel arrangers, and to enforce policies designed to change their behavior?
3. How does travel fit with other corporate technology initiatives? Is the company IT strategy to outsource functions or consolidate with an enterprise-wide system?
4. Evaluate your company's technology infrastructure. Is there a single platform already in use companywide and, if so, can an automated system link into it?
5. Does your company have the appropriate resources to help define IT and business requirements, as well as staff to assist with overall project management, consistent with your anticipated timelines?
6. How can you maximize senior management and the IT department support for a travel automation project?
7. Does your technology strategy enable your company to respond to such changes in the market as mergers and acquisitions and the evolving state of travel distribution?
8. How can you most effectively use the technology to communicate so that travelers understand the basic premise of using preferred suppliers and coop-

erate with policies in this regard?

B. Other considerations:

1. Including the major stakeholders from the earliest stages improves the process and helps to earn travel program support. It particularly is helpful to involve them in testing new systems.
2. Many companies have reported a quick return on investment from automated expense reporting. The cost savings appear relatively quickly and are easy to quantify.
3. Budget for the support of internal or external integrators. Many travel management companies and vendors partner with system integrators to help connect their systems with those of clients.
4. Security concerns preclude some companies from linking networks to these or such outside organizations as travel management companies, and some companies have strong firewalls that inhibit linking to outside systems. Anticipate internal firewall and data access restrictions and requirements.
5. If the company has employees outside of the United States, include international divisions or subsidiaries and support technology and users in multiple languages. Ensure that you are aware of and in compliance with data privacy laws, especially in the EU.

II. GLOBAL DISTRIBUTION SYSTEMS

Traditionally, global distribution systems have been the platforms from which most corporate travel bookings are made. Increasingly,

though, travel technology providers, online booking systems and travel management companies are offering tools to access content that resides outside of the global distribution systems.

- A. Global distribution systems provide real-time data about flight schedules, airfares and seat availability as well as process airline reservations.
- B. They provide availability and booking support for hotels, rental cars, trains, limousines and ancillary travel services.
- C. They store information on travelers' booked itineraries in the form of passenger name records and pass booking information to agency accounting systems.
- D. They store passenger and corporate profile information that can be transferred automatically into reservation records. Increasingly, corporations, travel management companies and online booking systems are storing profiles in offline databases—both for security and efficiency.
- E. They have software that includes enhanced productivity features that can present only information that fits corporate policy, identify a caller and automatically display information about that client, or complete a reservation record automatically using stored profile information.
- F. Some travel suppliers, including low-cost carriers, smaller hotels, rail companies, don't participate fully in the global distribution systems, but have software that fully or partially automates bookings.
- G. For bookings that originate outside of the global distribution system, identify ways to make the process seamless to the business traveler.
 - 1. Can it simultaneously review both global distribution system content and content that doesn't reside in the global distribution system?
 - 2. Will all segments be included as a single passenger name record that is accessible to the traveler and serviceable by the travel management company online and over the phone?
 - 3. How are data captured?
 - 4. Can the company establish direct connections with suppliers that provide additional value?
 - 5. Can travel management or travel management technology suppliers still provide consolidated data?
- H. Ways to make reservations in global distribution systems include professional global distribution system workstations and consumer online services.
 - 1. Professional global distribution system workstations: Used in travel

management companies and corporations with ARC-certified Corporate Travel Department designations or onsite operations, this option offers functionality and usually is linked via a gateway attached to the agency's network or the Internet to a global distribution system. The gap is closing between travelers using self-booking tools and travel agents using cryptic GDS displays, preventing effective hybrid reservations in which a booking is begun online and then picked up by a call center agent.

- 2. Consumer online services: These are designed to enable travelers to find out about schedules and make reservations through links to global distribution systems over the Internet, but generally do not incorporate preferred suppliers or corporate rates.

III. ONLINE BOOKING TOOLS

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

- 1. Many corporations have negotiated tiered pricing structures with their travel management companies. They pay a higher amount for traditional telephonic reservations than for automated ones, thus cutting the cost of the booking process. Online bookings typically are divided into fully automated, unassisted transactions and bookings requiring human intervention or assisted transactions, which carry a higher fee.
- 2. Automated fulfillment can allow corporations to handle more volume with the same headcount.
- 3. Corporations that have implemented online booking and fulfillment systems, when combined with strong senior management support and marketing programs, have achieved high adoption and substantially reduced average ticket costs. Some also report the "visual guilt" of business travelers selecting lower-fare flights because they are seeing more flight alternatives.
- 4. Some travel management companies have separate operations designed to handle online fulfillment, including



quality control and 24-hour service.

- 5. Online tools that have inventory management features to position preferred suppliers in order to meet marketshare commitments.
- B. Driving adoption. When evaluating how widely to deploy tools that obtain travel data and make bookings, consider:
- 1. Easy access: If the company culture encourages self-sufficiency, giving everyone access to the reservation system should improve efficiency by reducing or eliminating telephone contact with travel agents.
 - 2. Policy mandates: Companies that drive the highest adoption rates sometimes have some form of mandate in place—although the variety of corporate cultures generates uneven results from such edicts. Mandates can be full or partial, with some employing specific language to book, for example, all domestic trips online, while others mandate such bookings only for simple roundtrips or for specific citypairs. Some companies have cultures that are not conducive to mandates but can effectively drive compliance with well-communicated travel policies that are strongly encouraged by management.
 - 3. Fee differential as incentive: Companies charging a differential fee per transaction at the point of sale have achieved high levels of adoption without a mandate. Often, the fee for booking over the telephone is at least twice as high as the fee for an online booking. Charging higher fees for online transactions requiring human intervention also can prompt travelers to increase unassisted transactions.
 - 4. Ongoing communication: A consistent and targeted employee communication plan is an essential component of driving adoption. Such communications should focus on the savings achieved by the company through online booking, as well as traveler convenience and control. Consider a marketing campaign to kick off the program, including Web-based training programs, events at corporate sites, internal corporate blogs or other social networking options, e-mail and remote conferences. Include news, safety and security alerts, travel policy, preferred vendor information, special deals, currency conversion charts and downloadable or prepopulated expense reports on

the corporate travel home page, along with the booking system. Consider various channels and opportunities for communication. Also consider how different types of travelers communicate, such as younger travelers' use of social networking tools.

5. Senior-level buy-in: Having high-level support from a senior executive, preferably the CEO or CFO, is critical.
 6. Pilot groups: Some companies begin technology implementations with a small, controlled group of interested users and proceed slowly. Some companies have done well by beginning with the most technologically aware or the most frequent travelers, while others have set up the system and rolled it out within three months.
 7. Training: Have a plan for managing training and support, especially when expanding the program from a small pilot to a companywide rollout. Additionally, be sure that internal systems have the capability to support higher levels of user traffic.
 8. Showing value: Keep senior management, department heads and travelers aware of the benefits of the program by reporting results. Consider demonstrating the cost savings to individual business units and travelers. Some travel managers charge back the cost of reservation processing to travelers at the point of sale to show the rates for booking traditionally versus booking online.
- C. Pre-trip approval systems.** Some companies have separate systems tied or not tied to their booking tools that provide them with ways to control costs and track travelers. Some systems use passive approval, or pre-trip notification, tools rather than active approval, or pre-trip authorization, tools to avoid unnecessary bottlenecks. You should consider a dollar amount below which pre-approval is not necessary, such as \$400 for domestic or \$1,200 for international flights.
- D. Considerations**
1. Determine which bookings are eligible for booking online and which are ineligible. A good benchmark is 100 percent of all domestic bookings of 4 legs or less and all simple-round trip international itineraries that don't require a visa. Focus on driving up the number of the eligible bookings.
 2. Is the speed and user interface of the self-booking tool in line with traveler expectations? Consumer products



that are more adaptive and have better functionality can create challenging expectations for and frustration with corporate tools.

3. Can the self-booking tool access and consolidate inventory from GDS and non-GDS sources and support direct supplier connections? How does the online booking system manage ticket credits, changes and reissues?
4. Is the travel management company contract based on a shared-cost configuration or other arrangement under which savings generated by the use of online booking systems are passed on? If planning rapid migration to online booking, a fully loaded transaction-fee relationship with a travel management company allows you to take out costs on the traditional full-service side more quickly. Make sure the travel management company has incentives to reduce costs over time and cut the transaction fee each year.

IV. MID-OFFICE QC/WORKFLOW SYSTEMS

Once a travel reservation is made, quality control and fare checking programs automatically review it to be sure the booking reflects the best available rate or fare and the arrangements and essential reporting in-

formation are correct.

A. Usually such programs are provided in modules covering these major functions:

1. Quality control: The tools review passenger name records for data consistency and for such required information as charge card.
2. Fare checking: The tools can scan global distribution systems to see if lower-price seats become available.
3. Trip improvements: The tools enable waitlist clearance, seat checking and automated frequent flyer upgrades and scan global distribution systems for preferable bookings.
4. Revenue management: The tools validate and apply airline contracts prior to ticketing, automatically issuing ticket and service fees and tracking, reporting and transmitting unused e-ticket information.
5. Data collection and reporting: Data from GDSs is gathered for transmittal to data intelligence platforms or other applications.

B. Quality control and fare checking are available from global distribution systems or as an online service from independent vendors. Booking systems vary in their file finishing capabilities. Some booking systems might need to be coupled with a mid-office quality control system.

C. Third-party mid-office systems can be configured to apply separate tests and manage

different workflows for on- and offline reservations based on any characteristic of the passenger name record, including traveler hierarchy, origin or destination.

- D. They can be configured to access data from outside the travel system, like a project or budget code, for example, or send e-mails based on passenger name record characteristics. These capabilities are fundamental to pretrip approval and end-to-end automation systems.

V. MOBILITY

New technologies on the market today allow business travelers to remain more closely connected to their offices than ever, as advances in mobile technology and location-based services have enabled communications with travel managers during the trip. Also, social networking applications within corporate intranets and booking tools can speed feedback on supplier performance.

- A. The proliferation of wireless connectivity in airports, airplanes, trains, restaurants and hotels, as well as personal digital assistants and mobile phones, offers travelers more opportunities to send and receive updated company and trip information. IT generally drives the purchase of such products and services, but many applications involve travel. Although a product may be free or bundled into the cost, your IT department may restrict access to these programs. Airlines, travel management companies and corporate travel departments are using personal tools to confirm reservations or advise travelers of airline delays or last-minute changes and rebook flights, hotel rooms and car rentals. The always-connected traveler presents an opportunity to extend travel management communication by providing destination data, including recommendations from colleagues, preferred restaurants, activities and weather updates.
- B. Kiosks at airports, convention centers and hotels are enabling travelers to make and change reservations in transit. Hotels have brought high-speed Internet access to business centers and guest rooms and are expanding wireless access.
- C. Automated systems are available that ideally capture booking and credit card data and download it into prepopulated expense reports as the traveler incurs the expense. The traveler can make additions and corrections, and forward the report to a manager through the corporate accounting system. This has been the longtime promise of electronic hotel folio data, which some expense tools, payment systems and hotel chains currently provide. The overwhelming majority of corporations, however, still do not have significant access to hotel e-folio data.

VI. VIDEOCONFERENCING

Advancements in videoconferencing technology and the decision by many companies to severely cut travel in the past two years prompted many companies to install and increase the use of such systems. In addition to being a demand management tool that achieves savings by making it possible to eliminate some travel, buyers are finding these virtual meetings productive and see them reducing wear and tear on travelers.

- A. Videoconferencing technology usually is managed by IT departments, but travel decision makers can play a big role in examining airline citypair and hotel data to determine the best locations for such installations and promoting their use.
- B. Marriott International and Starwood Hotels & Resorts each in recent months has gone live with in-house remote conferencing studios at



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key gateway city properties, and both companies plan to add more studios across the world during the coming year.

- C. Technology suppliers are working to make existing systems interoperable, potentially making remote conferencing tools even more effective as a travel alternative or supplement.

VII. MANAGEMENT INFORMATION REPORTING

Travel management companies and independent suppliers offer the means for clients to produce management reports that conventionally form the basis of vendor contract negotiations, travel policy development and budgetary forecasting.

- A. Travel managers should require programs that let them produce standard reports at the desktop and report-writing features to design specific kinds of reports.

1. Travel management companies compile raw data that come from accounting systems using booking records.
2. Other travel vendors, such as hotels, car rental companies and charge card providers, also might furnish data. Some systems enable the user to merge the travel vendor data with the travel management company data.
3. A number of third-party data consolidation services gather data from multiple agencies and countries and provide corporations with management

reports that can help identify market opportunities. However, national data protection regulations vary and data privacy remains hotly debated.

4. Many corporate intranets have standard online reporting tools to give line managers actionable information.
 5. Corporate buyers should demand suppliers not only deliver travel information electronically in standard report formats, but also provide web-based ad hoc reports and expertise for a fee to build highly complex reports across multiple databases.
- B. Considerations for doing your own management data reporting

1. Hardware and software costs: As is true for all automated services provided by a travel management company, even if hardware and software are provided as part of a total service package, the costs will be factored into your overall travel management company agreement.
2. Time and personnel resources
 - a. There will be an initial learning curve and a continuing investment in time to make effective use of the system, although graphics and point-and-click techniques for interaction should make it relatively easy to use.
 - b. More than one person in the travel department must be able to work with the system. Consider information skills when staffing. Internal au-

ditions may benefit from direct access to the system.

3. Corporate IT standards: Usually, company policy specifies acceptable hardware and software compatibility requirements. Include internal corporate IT and accounting departments in the selection process.
4. System limitations
 - a. Larger companies may seem to have the best chance of justifying the cost of onsite reporting, but they need to be careful about bogging down the system with too much data.
 - b. Thoroughly test any system you are considering, using actual data and bank electronic funds transfer if you can. Particularly focus on how long it would take to run a report on your data.
 - c. Ask other companies of your size about their experience with systems use. Have vendors provide a list of all corporate customers so you can select the reference.
5. Operating features
 - a. Don't take claims of the tools' user-friendliness at face value. Work with the system.
 - b. Think about what to do with the system's output and who will see it.
 - c. Evaluate reporting formats to ensure you can produce the figures you need. Ask if your travel management company can produce average figures for the same data points. If you need global data, find out if the system will enable you to compile it. Ask if the system has integrated graphing or you will need a separate graphics package.
 - d. Ask questions about system maintenance and support, software updates and follow-up expenses.
6. Data integrity: The information you receive in reports only will be as good as the data that passes from reservation records into the accounting system. Investigate the accuracy of the reports you're already getting and establish front-end procedures to produce the most reliable and comprehensive data.

VIII. EXPENSE REPORTING

Automated expense management solutions enable corporations to feed expense information to accounting systems. These solutions offer a variety of capabilities, in-

cluding feeding booking and corporate card data into expense reports; routing, approvals and workflow; and reimbursing travelers via automatic funds transfer. The most advanced solutions also include robust analytics. Federal Sarbanes-Oxley requirements have made automated expense reporting systems, which have built-in audit controls, more attractive.

A. Typically, the finance organization originates the initiative to rework an expense accounting process, and the corporate travel manager is involved as a member of a cross-functional team seeking solutions. Travel managers and accounting and information systems experts need to look at each expense system option to determine whether it meets the company's goals and objectives.

B. Automating expense reporting can:

1. Give companies more control over company spending, especially for meals, travel and entertainment
2. Make it easier for travelers to accurately complete expense reports
3. Encourage corporate travelers to use online booking software or the corporate card to prepopulate expense reports
4. Cut the administrative cost of expense reimbursement
5. More efficiently and accurately post expenses to company general ledger and accounts payable systems
6. More accurately track expenses by business area or billing code, and meet U.S. Internal Revenue Service and federal Sarbanes-Oxley reporting requirements
7. Manage cash more effectively by reconciling expenses with advances issued by the company
8. Pay corporate card balances and reimburse travelers more efficiently
9. Route reports electronically for manager approval, or to help line managers track and manage corporate travel budgets
10. Provide management information for the specific purposes of enhancing travel supplier negotiating and forecasting
11. Make receipt-less processing possible for prepopulated corporate card items

C. Considerations

1. How unique is your travel and entertainment expenditure management process? Will you need customization, or at least the ability to configure the

system in various ways?

2. Does your company have an enterprise resource planning system with a built-in module for travel expense management?
3. How would your online booking and management reporting solutions interact with a proposed electronic expense solution?
4. Should you integrate expense reporting with other travel management technology, such as the online travel booking tool?

IX. END-TO-END AUTOMATION

End-to-end automation refers to the concept of linking different components of travel automation together so that data can be passed from the front-office booking process, through the applicable mid-office, to an expense reimbursement system where booked data can be compared to expensed data. Ideally, end-to-end systems also incorporate data feeds from charge cards and provide management reports appropriate for company business units and financial managers.

Companies considering such systems should document carefully what data elements are passed from the front office to the expense module and the back office.

They also need separate evaluations of the booking tool, mid-office and expense tools to make sure that important functionality is not lost in the race for integration.

X. SUGGESTED QUESTIONS WHEN BUYING TECHNOLOGY

- A. What is the technological and travel experience of the developer?
- B. How well-funded is the travel technology vendor, and how likely is the vendor to continue to support you 12 months or five years from now?
- C. What is the supplier's responsibility for support, maintenance and enhancements subsequent to the initial purchase?
- D. What training will the vendor offer travel managers and travelers?
- E. Does the vendor invest in enhancing the system over the long term? How often are new releases of the system issued?
- F. How many corporations have installed the system?
- G. Will the vendor supply recent reference accounts with whom you can speak? Can any reference accounts provide objective data that demonstrates a return on investment for the system?
- H. Will you consider a hosted service or software license?
- I. How quickly will a purchase generate a return on investment for your company?
- J. What are the timelines involved in testing and implementing the system?
- K. Can the vendor implement, support and enhance a global product?
- L. How is customization generally handled? Is the sign-on process easy?
- M. Is the system dependent on any specific equipment or programming language, such as Java, HTML or XML?
- N. What data warehousing and data mining capabilities does the system have? What are the supplier's confidentially and indemnification provisions for the data and the technology? Who owns the data, you or the supplier? How well will the database integrate with your current information technology environment?
- O. Will the vendor let you test the product on a demonstration site?
- P. For online booking tools
 1. What content is offered? Are web fares integrated?
 2. Will the system allow reservations to be held for 24 hours before booking?
 3. Does the tool provide the ability to synchronize online and offline profiles? What is the traveler profile management tool used? How does it integrate with the global distribution system, online booking tool and HR system?
 4. Is a single sign-on facility possible?
 5. Can the tool facilitate an approval process? What happens if the primary approver does not respond within a reasonable period of time?
 6. How does the tool ensure data integrity and security?
 7. What online fulfillment operations and strategy are in place by region?
 8. What technical or navigational support is provided for travelers and in what languages?
 9. What is the cost for ongoing support after the initial implementation?
 10. Will you be involved in prioritizing ongoing enhancements and changes to the system functionality?

Cindy Gillen, national director of procurement and travel management for BDO Seidman; Andrew W. Menkes, CEO of Partnership Travel Consulting; and TRX president and CEO Shane Hammond assisted in revising this chapter. ■

Selecting A Corporate Payment System

BY MICHAEL B. BAKER

A corporate card program, partnered with solid data reporting capabilities, provides the travel buyer with a window into traveler spending habits, policy and preferred vendor compliance and program data that can aid successful negotiations in all other aspects of a travel program.

Laying in this program keystone is essential but at times daunting. Corporate card program contracts are complex, lengthy and usually require a commitment of several years.

Suppliers increasingly are targeting card programs at buyers with smaller travel volumes. For larger programs, they are upgrading global delivery capabilities and data reporting, providing additional benefits and savings to those companies, that generally have more mature programs. Meanwhile, optimizing data capture is a constantly moving target, with such new types of data as airline ancillary fees arising.

The following steps can help determine which and how payment system providers can best serve a corporate travel program's payment needs:

1 ESTABLISH
YOUR OBJECTIVES

2 EVALUATION

3 IMPLEMENTATION

4 MAKING A DEAL

5 IMPLEMENTATION



I. ESTABLISH OBJECTIVES

Understand the values and objectives most important to senior executives. Below are some attainable goals:

A. Improve financial, administrative processes

1. Improve the processes of paying and accounting for travel, fleet and/or small-dollar-value goods and services
2. Improve cash management, extending float and eliminating or reducing cash advances
3. Improve accounting and reconciliation
4. Enhance the management of currency exchange
5. Evaluate and facilitate value-added and goods-and-services tax refund filings
6. Reengineer travel expense reimbursement by relying on automation to eliminate manual policy-auditing and check-issuing costs
7. Leverage consolidated card spend for the best possible terms and conditions and improved vendor negotiations
8. Secure T&E spending rebates
9. Evaluate individual and central billing program options

B. Improve policy compliance and monitoring noncompliance

1. Track preferred vendor usage
2. Reduce expense report fraud
3. Implement reporting tools

C. Increase traveler productivity and support

1. Facilitate traveler reimbursement
2. Provide en route services to travelers, including travel accident insurance and emergency assistance
3. Give travelers an easy, safe and widely accepted form of payment for en route services and in some cases access to

cash via automated teller machines

4. Allow travelers to separate business expenses from personal expenses
5. Provide a corporation with standardized business controls
6. Roll out a savings program to leverage pre-negotiated discounts for travel, dining, shipping and conferences.
7. Provide employees a source of credit.

D. Enhance management data

1. Commercial card programs electronically provide actual expense data.
2. Data is captured and available in a central database for compliance monitoring, vendor management, budget review and tax reporting.
3. Card files can prepopulate expense reporting systems, eliminating manual input, comply with tax and Sarbanes-Oxley regulations, give greater oversight of T&E and offer traveler convenience.
4. Reports by merchant category code can identify suppliers.
5. Reports increase expense management efficiency and identify new negotiation opportunities.
6. Commercial card data can be imported into electronic contract management tools that monitor all transactions against negotiated rates and volume discount thresholds to ensure that proper discounts are received.
7. Reports can identify unauthorized spending, and advanced reporting tools can integrate booked data from travel agencies for a booking-to-billing view.

E. Implementing a global program

1. Issue cards in all countries with significant employee populations.

2. Understand how acceptance levels and reporting differences vary.
3. Understand vendors' varying abilities to pass enhanced transaction data.
4. Consolidate information globally by tasking the provider to do so.
5. Leverage the expertise of your bank issuer to help you roll out a global program, which can be managed globally with regional issuers supporting local offices or by one global issuer.
 - a. Does the card issuer work with relationship banks in native countries to issue cards and consolidate data?
 - b. Is there a single point of contact for customer service?
 - c. Are reporting accuracy and timeliness potential concerns?
 - d. Will the selected supplier provide transitional services at the end of the agreement, if you change providers?



II. PROGRAM EVALUATION

- A. **Establish the team:** With a senior management sponsor, establish a cross-functional team to manage the process. This is typically comprised of travel, payroll, finance, accounts payable, HR, legal, procurement, internal audit, IT and treasury.
- B. **Based on travel program goals, develop the requirements of the payment program and include:**
 1. Number and location of travelers
 2. Senior executives versus other types of travelers
 3. Spending by category: air, rail, ferry, hotel, rental car, limousine, meals
 4. Policy for usage
 5. Geographical scope
 6. Interfaces with other front-end and back-end systems
 7. Data consolidation specs
 8. Reporting and reconciliation needs
 9. Billing, payment and liability options
 10. ATM, currency conversion and late payment fees
- C. **Establish the process.**
 1. Identify issuers.
 2. Develop and send RFPs or RFIs.
 - a. Describe the company, culture and readiness for a card program.
 - b. Outline criteria for success. Consider such program factors as technological capabilities, service structure and support and consulting expertise in addition to financial offers.
 - c. Detail contract requirements.
 - d. Consider an automated request-for-proposals tool.
 3. Consider holding a bidders confer-

ence, if practical.

4. Set times for issuing documents, developing proposals and review.
 5. Schedule presentation dates and technology demonstrations.
 6. Provide an overall RFP schedule, including a final decision timeframe.
 7. Ask for references from companies similar to yours.
- D. **Technology**
 1. Evaluate card program management, reporting, benchmarking, expense reporting, integration, compliance and reconciliation tools.
 2. Support demonstrations with client references.
 - E. **Criteria for selection**
 1. Establish criteria for success.
 2. Identify elements for review.
 3. Develop scoring systems to promote objective decisions.
 - F. **Many options are available with respect to corporate cards and issuers.**
 1. Vendor options
 - a. An exclusive agreement with a vendor for a single reporting solution that provides global spend data for all business units
 - b. An agreement with one primary vendor that includes multiple card and payment solutions, and such spend management solutions as sourcing and contract management.
 - c. An agreement with a primary vendor and an account with a separate card provider for a particular service: For example, a ghost account, a master number all employees use for air travel but without plastic cards, and

- another for hotel and car bookings, emergencies and ticket changes en route. Using a central travel solution for air can facilitate ticket reissue and credit tracking and simplify charge allocation if your expense management tool can allocate charges back to individual travelers.
 - d. Diverse agreements with multiple vendors: Company divisions with different cultures need different card programs.
2. Billing options
 - a. Central billing and payment: In most cases, individuals receive a statement of all charges, but the corporation pays the card company on the employees' behalf. The company receives a statement consolidating individual cardholder charges, assuring vendors receive timely payment and allowing corporations greater float.
 - b. Individual billing and payment: Each traveler receives a monthly statement, pays the bill and puts charges on expense reports for reimbursement. While individual billing and payment may reduce corporate administrative activity, this method may cost the company rebates if cardholders are not timely in making payments. Calculate the average days held internally and the savings to the corporation versus its impact on the rebate. Ensure card payment terms outside the United States are acceptable to each sector or business unit and are consistent with accounting procedures in those countries.

c. Individual billing with centralized payment: Each traveler receives a statement, but the company pays the bill based on approved expense reports. This improves float and reduces check-cutting expenses for cardholders who complete expense reports on time.

d. Individual corporate cards with strip billing and payment: Corporations can request all air, hotel and phone charges or other categories be stripped from individual bills for central pay. Card companies get paid more quickly this way, potentially benefiting customer rebates, but corporations also need to weigh reconciliation costs.

e. Cardless central air travel purchases: Bills go to the corporation for central account charges, and individuals for all non-air card spending. This drives air booking through the designated travel agency and reduces employee liability for large debt.

f. Temporary cards for trainees or visitors; prepaid or stored-value cards; budget or declining balance cards; meeting cards; cards acceptable only with specific merchants. Prepaid cards can be used with traditional corporate cards to replace cash advances and reduce currency exchange fees for international travel.

3. Billing format: Advise vendors if your company has requirements for statement format and billing cycle. Some providers can receive payments from, and provide billing to, companies and their cardholders via the Web.

4. Data feeds: Many issuers offer secure file feeds into a company's ERP system for reconciliation, payment and accounting.

G. Payment methods

1. Settlement options include:

- Check, physical or virtual: Vendors rarely accept checks from companies any longer, although individuals may still pay by check in some instances.
- Electronic funds transfer or direct deposit
- Electronic data interchange

2. Terms are negotiable.

- The balance usually is owed monthly.
- T&E cards used as purchasing cards can be negotiated for balances to be paid weekly, 10 days or 15 days from the end of the billing cycle.

H. Cash advance requirements: Some companies use card programs to administer cash

for travelers' out-of-pocket spending and to eliminate funding direct cash advances.

I. Some card issuers offer their own expense reporting tool or alliances with third-party vendors. All major card vendors can download data directly to any expense reporting system. Consider:

1. The total cost of the expense reporting tool versus the expected ROI. The total cost of ownership should be based on vendor fees, implementation and training costs and ongoing support and infrastructure costs.



2. The use of an expense tool offered by your card issuer versus a third party or in-house development

3. Hosting the expense tool behind your firewall versus the software-as-a-service model. Consider data ownership and privacy issues. Is your data available for auditing purposes?

4. Is the tool compatible with your existing infrastructure? Does the tool offer access through mobile devices?

5. Can the tool interface with external business systems related to expense reporting, such as accounts payable, general ledger, HR and payroll?

6. Does the tool let you integrate your choice of technologies, or does it work best in a fairly closed environment?

7. Who will administer and pay for re-programming the tool to interface with the corporate accounting system, accept card data downloads or align with policy?

8. Who will implement the tool and provide ongoing support? What is the vendor's standard implementation timeframe? Implementation in a multi-location company can be complex and costly.

9. Which departments—IT, accounting,

etc.—can help evaluate such tools?

10. Can a third party host the tool to avoid internal support requirements?

11. Does the system offer prepopulation of expense reports with corporate card data? If so, is the data prepopulated frequently and accurately? Is prepopulation limited to standard corporate card data or can it integrate additional data, e.g. enhanced data including additional legs of air travel and hotel detail?

12. Can the tool categorize line items as business or personal expenses?

13. How easy is it for cardholders to review card charges, add details and forward them for approval? Can there be more than one approver?

14. Can the tool be customized to look like your corporation's existing forms and automatically audit reports according to your corporate spending guidelines and policy? Can the tool automatically flag and identify expenses for value-added tax reclaim and group expenses according to accounting codes?

15. Does the tool offer receipt imaging? What are the receipt imaging tool's success and readability rates?

16. Does the tool automatically convert foreign currency transactions? Is it localized for taxes, government regulations and business practices? Does it provide historic exchange rates?

17. Can the system offer pre-trip travel authorization?

18. Is the tool capable of providing management reports at the same level of detail as the expense report?

19. Can the provider establish policy compliance rules and controls within the enterprise reporting system?

20. Can the tool evaluate bookings versus actual expenses, and can the issuer work with the preferred travel agency for booked to billed reports?

21. Can the tool be used for expenses beyond travel, including purchasing card, fleet or small-dollar purchases?

J. Loyalty program tie-ins: Some card programs offer mileage, frequent stay or other types of points for card usage. These programs can work for or against policy and may impact rebate potential. A program that offers mileage on a non-preferred carrier can promote leakage, but points also can motivate travelers to use the card instead of personal cards.

K. Related spending management programs

1. Procurement cards: Most T&E charge card providers also offer card programs for corporate purchasing. There can be leverage in linking vendor decisions about both kinds of cards, even though air spending is managed very differently than office supplies. Purchasing cards may have different requirements for taxes, process reengineering, back-end data integration and data capture. T&E cards generally capture basic data, while purchasing cards also capture point-of-sale data, such as sales tax or product codes. Purchasing cards also provide new opportunities to improve contract compliance, manage suppliers and consolidate vendors to reduce costs using global data management tools. Look at approval and reconciliation processes for T&E and purchasing cards for opportunities to improve or combine processes and data flows.
2. Meeting cards: Costs from meetings can be up to 3 percent of a company's annual revenues, representing a significant and largely untapped savings opportunity. Provide corporate meeting cards primarily to corporate meeting planners to help track meetings expenses, ensure compliance with preferred hotels and other suppliers and leverage meetings volume to improve supplier negotiations. It also reduces the need for written checks and ensures proper expense allocation. Billing data can be integrated into a meetings management system, driving automated reconciliation and more robust reporting.
3. A one-card solution: Some vendors offer travel and entertainment, procurement and fleet—or any combination—on a single platform. Examine employee usage to determine any benefit to such a combination and understand the reporting distinctions offered by the vendor.
4. Fleet cards capture enhanced data at the point of sale, enabling managers to monitor fleet efficiency. Fleet cards can be assigned to a vehicle or a driver. Determine whether the card can report mileage and identify fleet vehicles.
5. Prepaid cards can be used for infrequent travelers, job candidates or clients.
6. Restaurant rebates or hotel discounts can be achieved through special re-

wards programs that give corporate cardholders the opportunity to earn points redeemable for hotel stays, dining and more.

- L. For reporting, consider your purposes in using card-generated management information to help determine:
 1. How information is broken down
 - a. By spending categories
 - b. By activities
 - c. By organizational levels and units
 - d. By geography, language, culture and currency
 - e. By industry and market
 2. How many sources of data are integrated into the reporting (e.g. card, hotel folio, booked data, etc.)?
 3. Who needs access to information and how will they receive it? Do you need to interface data to one or multiple general ledgers?
 4. Frequency of reporting data: How often are data downloaded into an expense reporting system?
 5. Capability for electronic data transmission and report generation
- M. Size and scope of a program
 1. How many cards will you issue?
 2. What determines who receives a card: frequency of travel or number of expense reports? Rebate levels sometimes are affected by average spend per card and cards in force, so having many low-spend cards might lower rebates and expanded liability.
 3. Do you need luggage, traveler or cancellation insurance, purchase protection or roadside assistance?
 4. Do you want to provide prestige-level or executive cards, airport lounge access, concierge services or free airline companion tickets to some travelers?
 5. Will you limit card use to business expenses or let employees charge personal expenses? If so, how will employees pay for them? Do your employees have a delinquency history?
 6. For individual liability programs, determine company policy and procedures for employees denied cards by the supplier.
 - a. Will the company guarantee payment for cardholders refused credit cards? Can a prepaid card be issued? Will the company provide denied applicants direct billing or cash advances?
 - b. Will the company give support for employees exceeding credit lines?
 7. Determine a corporate policy on delinquency and late fee reimbursement,

and align this to your company's T&E reimbursement and submission deadlines. Set guidelines to suspend or terminate cards.

8. Your travel volume and patterns
 - a. Spending by category, in order to determine services for which your travelers are likely to use a card
 - b. Spending per traveler
 - c. Your major locations
9. Restrictions on maximum amount per transaction, frequency and ATM use for cash advances
10. In which countries and what currencies will you need to issue cards?

III. VENDOR SELECTION

Issue a formal request for proposals or a less-structured request for information to spell out what you want from card vendors. Consider creating a format or using an automated sourcing tool in which vendors must submit bids and specifications to help compare financial arrangements and services. Such tools enable you to include a greater number of vendors in the sourcing process with virtually no additional effort. Include a detailed schedule for the process. A bidders conference can help address questions.

A. Reporting capabilities

1. Which reports are standard, and what does it take to get customized reports? How are ad hoc requests handled and priced?
2. Are hotel chain, property and spending category folio detail available? How is it sorted and presented? Does it break down geographical area by chain instead of chain by geographical area? All major corporate payment suppliers in recent years have worked with hotel companies to break out the hotel folio on card statements and in management reporting to itemize telephone charges, dining costs, taxes and business center fees, as well as such ancillary expenses as spa services and movies.
3. Does the card capture data on air trips with more than four legs?
4. How are air ticket refunds tracked and credited?
5. Can you build a hierarchy for issuing reports, so some executives get summaries and others get specific, detailed reports for their departments? Do the reports provide drill-down capabilities?
6. Which prior-period comparisons are

provided, so you can spot trends and developing problems?

7. Does the vendor provide performance benchmarks? Can you benchmark your spend to that of other companies in the same industry or of a similar size?
 8. What is the reporting frequency and the time from close of billing to report?
 9. What is the turnaround time for the vendor to produce a customized report? What is the fee?
 10. In which local languages and currencies are the product reports? Can the reporting be rolled up to provide a consolidated, global view?
 11. Is the data captured and integrated centrally across T&E spending data sources, such as payment card integrated with folio, enhanced air data and booked data?
 12. How long is data stored?
 13. How often is the data reporting system updated?
 14. Is the system available on the Internet or intranet?
 15. Do reports meet travel and purchasing requirements?
- B. Consider data access. As an alternative to paper reports, most vendors provide data in the following digital forms:**
1. Online access: Data is stored on the vendor's computer or Web site and reports are extracted remotely.
 2. Downloading: The vendor transmits account data to your computer.
 3. Online query: The vendor provides a report electronically upon request.
 4. To create your own reports with vendor-provided software, consider:
 - a. Frequency of account data updates
 - b. Does the software help create reports, charts, tables and graphs? Can it transfer files into programs for communication and writing reports?
 - c. Will an administrator have to be trained? Will support be guaranteed?
 - d. Is the data-access medium you want available to your account?
 - e. Request samples of standardized and customized management reports from actual accounts.
 - f. Can the data interface to your general ledger?
 - g. Can you split cost allocations?
 - h. What is the cost?
- C. Data security: How will data encryption be managed. Who will have access to the files? To what extent will you allow the card**

company to use your spending data for internal marketing and forecasting? How many company employees will have access to secure modes of data transmission between the company and card provider?

D. Billing policies and practices

1. Procedures
 - a. What billing cycles are available (daily, weekly, monthly, bimonthly or quarterly), and how closely can billing coincide with accounting cycles?
 - b. Are statements available online?
 - c. Do statements include receipt facsimiles or list charges?
 - d. Can you pay online?
 - e. Can statements be customized?
 - f. What is the method and cost for converting charges made in foreign to local currency for billing? Card companies charge currency conversion fees that range between 1 percent and 2.5 percent of the transaction cost, and companies have been increasing these in recent years, but fees typically are less costly than converting cash in foreign countries, though foreign ATM transactions can be even less.
 2. Account reconciliation
 - a. Does the card vendor assist in reconciling central air billings with tickets actually used and assist in tracking and reconciling electronic tickets? Can it reconcile travel agency data with billings?
 - b. Is enhanced data passed from the issuer to facilitate reconciliation? Is it automated or manual? What is the match rate?
 3. Dispute avoidance and resolution
 - a. How does the vendor check statement accuracy?
 - b. What are the procedures for reporting and tracking disputed charges? Can you resolve a transaction dispute online?
 - c. How are delinquent accounts, suspensions and cancellations handled?
 - d. Does the vendor provide delinquent payment reports on outstanding charges after giving employees 30 to 45 days to pay their bills? Will overdue accounts be canceled automatically? Will there be a penalty if payment is not made by a specific timeframe?
- E. Liability provisions: Responsibility for fraud, misuse and employee delinquency is critical for vendors and corporations. Vendors usually have policies to address them, yet seek clients' help in minimizing exposure. Agreements should cover:**

1. Exemption for the company from liability for purchases made with lost or stolen charge cards
 2. Exemption from liability for charges after the company notifies the card issuer of employee termination
 3. The roles of the vendor and client in dealing with delinquencies
 4. Whether liability provisions vary by country
 5. Whether the card issuer offers optional insurance to protect the company against employees' unauthorized use of the card
 6. How losses will affect rebates
- F. Fraud prevention: What controls are in place? Does the vendor have fraud insurance coverage? Who is responsible for covering the cost of fraudulent purchases? Define controls and establishment of spend patterns at the beginning of a program. Note executive travel patterns and countries visited, as they often get flagged in the beginning of a program. What type of effort will the card supplier make to investigate and resolve the issue?**
- G. Spending limits: Once, spending limits were part of the definition of a corporate charge card. Some products do not include spending caps.**
1. Can limits be varied by cardholder, rank, division or travel frequency?
 2. If limits are used on the card, are they monthly or rolling?
 3. Can they be varied by type of merchant, so a company can cap or block spending with some retailers?
 4. Does the provider have options for cardholders with bad credit, like prepaid travel expense cards or corporate debit cards?
- H. Cash services and management**
1. To provide travelers cash through a charge card, consider:
 - a. Whether to provide cash access to selected travelers or all travelers
 - b. Locations of automated teller machines and vendor offices in relation to business destinations
 - c. Cash-dispensing and currency-conversion fees
 - d. Varying limits on the number and amount of cash advances by cardholder, rank or place in the firm?
 - e. Cash advance reporting
 - f. Funding and payment processes
2. Some card vendors offer convenience or courtesy checks that can be used like cash; amounts are billed with card charges.

3. Reimbursement: Some providers offer direct-deposit reimbursement to cover travelers' out-of-pocket expenditures, reducing cash-related administration processes.
- I. **Most charge card programs provide supplemental rental car insurance coverage, but the terms vary. Consider:**
 1. What level of car rental insurance is provided—collision or loss damage waiver?
 2. Is the insurance primary or secondary coverage? Secondary coverage kicks in only after exhausting the rental agency's or employer's insurance.
 3. What is the limit on a claim, the maximum rental period covered and the type of vehicle? Some policies exclude vans.
 4. Are there age coverage limits?
 5. Eliminate coverage that is redundant with corporate coverage.
 6. How will coverage and liability vary by country?
 - J. **Air travel/accidental death and dismemberment insurance: Some coverage is standard, but program details differ. Ask:**
 1. Is coverage door to door or only while airborne? Does it apply only when travel is via common carrier? Does it cover terrorism? Does it cover personal travel purchased using the corporate card? Does it cover unforeseen emergencies?
 2. Does it cover travel expenses, injuries or deaths that result from accidents or severe weather during travel? Compare card base versus corporate coverage to see how to handle acts of war or terrorism?
 3. Are other types of insurance offered, such as:
 - a. Lost or delayed baggage and airline default
 - b. Hotel burglary coverage
 4. How does coverage vary by country?
 - K. **Emergency services: Inquire about referrals for local doctors and lawyers, lost passport, driver and financial assistance.**
 - L. **Trip-planning and follow-up offerings**
 1. Destination information
 2. Service provider discounts
 3. Visa and customs regulations
 4. Track and reclaim value-added tax
 - M. **Executive card features: Although premier level cards have higher annual fees, prudent distribution of these cards can be a good value. Features can include airport lounge access, increased insurance coverage and delivery services for baggage**



- checked on airlines.
- N. **Does the vendor provide programs that offer dining discounts, special pricing or services? Some payment vendors have negotiated rates with hotel or car rental suppliers to provide clients discounts any time the card is used.**
- O. **Vendor background**
 1. Cards issued, management team experience, growth rate
 2. Charge card history, related businesses and financial results
 3. Organization and infrastructure
 4. Multinational support
 5. Current financial strength
 6. Related and complementary products, including other payment products, automated sourcing, contract management and spending management solutions.
 7. Experience training for the account management team that would be assigned to your corporation.
 8. Ongoing support and consulting for card program expansion
 9. Capabilities as a provider for payment reporting tools
- P. **Acceptance: Vendors compete aggressively on these numbers, so make sure figures are meaningful.**
 1. Number of merchants honoring the card by business category and region
 2. Assess acceptance for the type of card you will be using. Most airlines, hotels and car rental firms accept ev-

- ery corporate card. T&E cards differ by restaurant and retail merchant acceptance. There are vast differences for procurement cards.
3. Does the card issuer have a dedicated internal group or an alliance with an external company to initiate card acceptance for key vendors without it?
4. Certain merchants that traditionally did not accept charge cards, including taxis, have begun doing so in recent years.
- Q. **Evaluate both immediate and long-term vendor support for strategic and mechanical matters. This includes:**
 1. Implementation
 - a. How long will it take to launch?
 - b. What is the enrollment process?
 - c. What training materials and resources will be provided? Does the vendor's software have built-in help documentation for reference?
 - d. Will the vendor monitor the launch and field questions?
 - e. Can the corporation ensure success of the launch?
 2. Account management
 - a. Will there be one or more individuals dedicated to your account? If not, how much time will support personnel allocate? Confirm the experience of your selected team, and the average length of service provided to a client. How many clients will that person handle? Confirm who your executive sponsor

within the vendor will be and his or her contact information. Is there an implementation team? Who would you escalate issues to if needed during the implementation? When and how will your account be transferred from launch to ongoing relationship management team?

- b. What are the vendor's procedures for measuring satisfaction, troubleshooting and problem resolution?
3. Card administration
 - a. Will your company have a dedicated service team, even if you select more than one card vendor?
 - b. Can you apply for cards, terminate accounts, change addresses and perform other account maintenance online in real time?
 - c. Is there a 24-hour worldwide number to report lost or stolen cards? What are provisions for replacing them? How long does it take to issue a replacement? Set a performance metric in this area and report it monthly.
4. Merchant support. What are the processes for converting merchants, particularly for the purchasing card?
- R. **Some travel agencies are aligned with or owned by credit card providers.**
 1. Coordinated management reporting. Match TMC and card vendor data to more quickly spot discrepancies in travel reservations and actual spend.
 2. There may be some advantages in implementation and coordination where travel agencies have established relationships with card vendors.
 3. There may be negotiating leverage in bringing card and travel business to organizations that are partners.
- S. **Does your company do business with a card provider in other areas? If so, secure intra-company assistance to further drive down costs or increase payment incentives based on pooled volume.**
- T. **International vendor capabilities can be difficult to accurately assess. For a multi-national card program, focus on:**
 1. The issuance and administration of corporate cards
 2. Consolidating international management information
 3. Service and support provided locally
 4. Reporting and billing
 5. Differences in features and benefits by country
 6. Contract and underwriting requirements, such as central versus multiple contracts

IV. MAKING A DEAL

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

A. Fees

1. Most commercial card vendors have done away with annual fees, even for smaller corporate customers with annual air spending as low as \$1 million, but they still may charge fees associated with mileage loyalty programs and elite member privileges.
2. A vendor may waive fees for a smaller account if the corporation is willing to assume liability for all employee charges, if the company has a good credit history or other card programs or banking relationships with the vendor or if it is located where the vendor wants to build marketshare.
3. Other fees to negotiate and define:
 - a. Penalty charges, late fees and over-the-limit charges: Are these fees assessed monthly or applied to every charge made over the limit?
 - b. Fees for such services as cash advances from automated teller machines, loyalty programs, management reporting, foreign exchange, reconciliation and daily expense reporting

B. Rebates: To be competitive, a card vendor sometimes will pass back to a corporation a share of its fees from merchants for charges on an account. Most issuers want a three-year contact.

1. Rebates are tied to the company's travel volume, spend per card, payment terms, average transaction size, losses, whether a loyalty program is part of the requirements and other performance factors. Equally important is client credit performance.
2. Payment terms and the corporate commitment to get employees to pay on time affect rebate negotiations.
3. Typically, rebates average between .25 percent and .80 percent of company volume, but for large spenders rebates can exceed 1 percent. Rebates based on performance are generally remitted to companies annually. Confirm any large ticket exemptions to rebate calculations. Maximizing float sometimes can be more cost-effective than securing a rebate.
4. Ask the vendor to define rebate calculation structure, performance factors and payment schedule.

5. Ask the vendor to provide support documentation for all of their rebate reductions, including bad debt and frequent traveler program charges.

- C. Ask the vendor to demonstrate how the proposed program will save money. Provide information on current methods and costs for such functions as cash advances and expense report accounting.
- D. Specify contract length, study limitations and responsibilities. Spell out specific implementation and service requirements in writing for legal review.
- E. Some corporate payment system vendors will incorporate company logos or co-branding on the actual card face. However, putting the company name on corporate cards identifies them to thieves, so not doing so could be a fraud-prevention measure. Determine options that reflect company culture and corporate identification policy.
- F. Be aware of blackout periods and timing issues in entering negotiations.

V. IMPLEMENTATION

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

- A. **Plan to roll out the program in manageable pieces. Determine the unit most ready to adopt the card.**
- B. **Announce the new payment program in advance of the date that the cards are activated. Back it up with a direct letter or memo. Your issuer may be able to provide templates for internal communications relative to the card program rollout.**
 1. Sell the program in terms of traveler convenience and service benefits.
 2. Communicate policies governing the use of the card and specify how violations will be handled. Determine card control features, such as spending and velocity limits, based on policy.
 3. Get a senior executive to endorse the communiqué.
 4. Get cards into travelers' hands just before cards are activated.
- C. **Establish a point of contact for input and questions from travelers.**

Tom Barrett, director of strategic sourcing for Ingersoll Rand; Mary Crippen Miklethun, senior program manager for travel and entertainment at U.S. Bank Corporate Payment Systems; and Wendy Prewitt, vice president of global commercial card for American Express, provided assistance for this article. ■