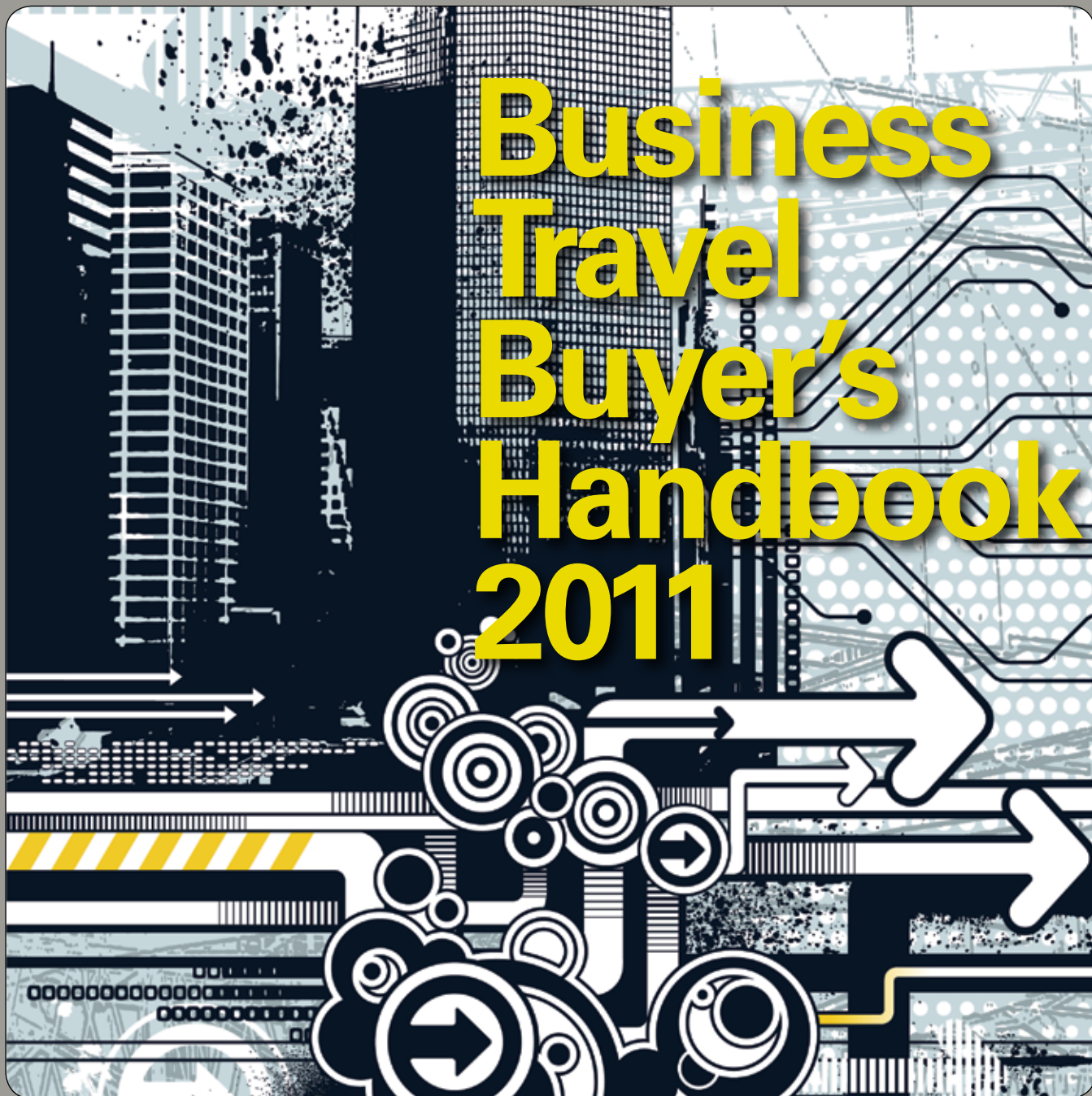


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# Business Travel Buyer's Handbook 2011

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# Structuring A Travel Management Program



A CONFLUENCE OF developments has brought travel management to the fore at many organizations. When global economies were in recession, travel managers were tasked with cutting T&E expenses. Many strategies used to do so still are employed today to optimize travel. At the same time, recent natural disasters and sociopolitical upheaval highlighted the need to track travelers to ensure their well-being.

For all organizations, standardizing travel processes and controlling expenses are achievable objectives, especially with senior management support. A cohesive travel management program provides mechanisms to support business goals, manage supplier relationships, ensure traveler security, and adapt to the continually changing business travel marketplace.

Travel and meetings programs require a strategic vision, reliable data and continuous communications. By heeding an organization's culture when crafting policies, managers and buyers can improve traveler compliance, thereby enhancing supplier relationships and realizing the full value of travel management.

The following is a guideline for a well-constructed travel management blueprint.

## I. GETTING STARTED

A travel management program can be initiated by a decision at headquarters, with

support from regional offices and branches. A corporate governance board and internal audit or compliance department can be useful in garnering support, and the organization also should involve senior management from several internal departments. Fundamental components of successful travel management programs include a written policy, travel management company support and/or dedicated internal travel staff, negotiated supplier agreements, a management information system that provides pre- and post-trip data, an online booking tool and a preferred or required payment and expense process—which serves as the only true measure of what has been spent by the traveling population.

- A. When planning a travel management program, establish a vision, set goals, identify purchasing process improvements and seek ways to enhance traveler comfort, safety and productivity. The program should work cohesively within the organization's culture and according to organizational goals.
- B. Identify a senior champion within your organization and coordinate as necessary with information technology, human resources, security, risk management, finance, facilities management and other internal departments.

- C. Data collection must be a priority.
  1. Determine sources of travel data. These include corporate charge card, expense reports, general ledger, suppliers, third-party data consolidators and, if already used, a travel management company.
  2. This data can be used for purposes both specific to travel management and to such wider concerns as environmental impact and employee well-being.
    - a. Corporate travel's return on investment
    - b. Measurable savings
    - c. Internal benchmarks on spending and policy compliance
    - d. Supplier performance against defined contracts and service-level agreements
  3. A centralized T&E system is a key advantage for collecting data. Data derived from travel agencies at the point of sale is beneficial for many reasons, but payment and expense data may be more accurate. Use both to reconcile booked versus expensed information.
- D. Conduct a comprehensive analysis to understand how a travel policy could fit into the organization's culture. That travel policy will serve as the program's foundation. It should be easily understood, strong and cognizant of local issues. A separate meetings policy often is warranted.
- E. Benchmark with companies that have similar travel patterns and costs, especially firms in the same industry. Try to discover which practices would best serve strategic values and goals. Such studies ideally are conducted independently from travel suppliers that may have their own agendas.
- F. Determine whether a full-time travel manager is needed to oversee the program. If a part-time position is used, ensure sufficient time is allocated to manage the program. Also consider whether other management resources can be allocated to support implementation and development. Success-

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- ful travel procurement systems, for example, require the combination of subject matter experts and trained procurement professionals
- G. Determine if current IT infrastructure can accommodate travel reservation and management information tools.
  - H. Travel, meetings and procurement managers can create a comprehensive plan for managing meetings as part of the overall travel management program.
  - I. Never lose sight of employee well-being. Savings should not trump safety and security. Be cognizant of duty-of-care laws in certain countries and ensure travelers can easily contact the internal travel department, the designated travel agency or emergency support staff.

## II. TRAVEL MANAGEMENT COMPANY OPTIONS

Many organizations rely on their travel management company as the key building block of their program. To the extent possible, some use a single TMC while others adopt a multi-agency approach. Before making a decision, it is essential to establish organizational requirements and expectations. Possibilities include:

- A. Single-source provider, in which one travel management company handles all client requirements in all locations
  1. Advantages
    - a. Accountability
    - b. One source for all travel management information can facilitate successful negotiations.
    - c. Single account management and administration may cut overhead costs.
    - d. Concentrating bookings through one agency allows an organization to more easily move market share to meet contract goals (with airlines, hotels and other suppliers) or maximize cost savings, in some cases by using the agency's preferred suppliers if they align with program needs.
    - e. Policy administration can be more consistent when common systems and procedures are used for booking travel and

- reporting expenses.
  - f. Installing and upgrading technology may be easier. Standardization of processes and services can be more effective when all agency operations are consolidated with one TMC.
  - g. Many agencies can route calls from one work group or reservation center to another as backup or in emergencies, or actively network centers across multiple time zones to ensure more efficient and productive use of counselor staff.
  - h. Dissemination of changes and updates may be easier.
  - i. Online booking tool implementation and deployment can be easier through a central point of contact, which can facilitate training and support.
  - j. Standardization of traveler profiles, management information and reporting may be accomplished more easily through one agency.
2. Considerations
    - a. An agency's geographical coverage does not guarantee consistency. It can be a challenge to ensure uniform procedures are followed and quality maintained in a multi-branch organization. Some countries preclude multinational TMCs from owning offices.
    - b. A single agency, especially one handling a multinational account, may not employ a single management information system. Some agencies do not use common systems, nationally or internationally.
    - c. A company does not have to choose a "mega" agency for broad geographical coverage. (The mega agency category generally includes American Express, BCD Travel, Carlson Wagonlit Travel and Hogg Robinson Group.) Several other TMCs serve multinational accounts using networked automation, technology, virtual operations and partners.
    - d. Local offices may resent giving up familiar agency relation-

- ships, particularly ones that share the local language.
  - e. Determine travelers' after-hours support requirements. If the TMC outsources or offshores these services, identify the locations, verify telephone operating capabilities and understand possible language and local barriers. Investigate billing procedures for after-hours call volume. Make sure the after-hours team has access to daily operation records and traveler profiles. Verify that data-privacy controls are in place, especially with home-based and after-hours agents.
  - f. 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.
- B. Multi-source solution, in which an organization uses two or more travel management companies. Advances in travel management technology make this approach increasingly feasible.
    1. Advantages
      - a. Business units get a measure of autonomy.
      - b. A local provider may have better knowledge of local suppliers, nuances and culture.
      - c. It can be easier to structure and manage agency relationships to meet needs of different business units, especially in a multinational program.
      - d. Creates competition among agencies that can be used to leverage additional services.
      - e. Reduces vulnerability by providing a backup for service or financial issues.
      - f. Selecting a primary agency or third-party data management companies for consolidation of global spending and reservation data from multiple vendors is achievable.
      - g. Use of minority- or woman-owned agencies can support the organization's diversity goals.
    2. Considerations
      - a. Using multiple agencies requires

coordination. Designating a lead agency may aid coordination and standardization.

- b. The technical challenges of merging management information from multiple sources require an investment of time and money, though new automation provided by agencies, suppliers and other third parties have eased the process.
- c. If the company uses a single corporate charge card for travel purchases, data can be gathered from the card supplier. Although card data represents actual spend and therefore may be more useful than agency booking data (especially as some travel bookings are made outside the preferred TMC), the best data may be available through the use of electronic expense reporting tools.
- d. Different TMCs may have conflicting preferred supplier agreements, which can impact any shared financial considerations. Be sure to understand these contractual arrangements.

### III. OPERATING CONFIGURATIONS

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

When determining which agency type, configuration and specific provider to use, an organization should in its agency request for proposals ask for multiple configuration and pricing options and weigh several considerations. For example, what is the organization's travel volume and available internal resources? If an organization is considering a configuration that requires hiring agents and travel department support staff, are qualified people available? What are prevailing wages and benefits?

Can an online booking tool or other technology replace some of the headcount? Is the culture one of self-sufficiency or one that focuses on core businesses, in which ancillary services are outsourced? Do security considerations discourage nonemployees from being on the premises or require corporate control of travel decisions and information? How technologically savvy are employees? Do they have access to a corporate intranet travel site? What is the agency's business continuity plan, and how can the service be scaled to support a major travel disruption? Does the organization want to own its tools and/or traveler profiles or use those of an agency or other third party? Are there any security or firewall issues to be considered?

Configurations to consider include:

- 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 enhancements.
  3. The organization negotiates its own discounts and works directly with suppliers, relies on the agency to be its liaison to vendors and negotiate discounts, or a combination of the two.
  4. Advantages
    - a. Many common costs are variable and based solely upon use.
    - b. Overhead expenses and necessary headcount are minimized. Technology cost is spread among different customers.
    - c. Central reservation centers can be located outside of large urban areas or even the country, where overhead costs are lower.
    - d. With sufficient volume, the organization might have a dedicated team of reservation agents; additional staff can be deployed during peak periods. In slow periods, dedicated staff can be deployed to other accounts, reducing labor costs.
  5. Considerations
    - a. Smaller accounts might not warrant a dedicated team or command special attention.
    - b. Agency staff may not be fully versed on the organization's

policy and preferred 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 can be the most costly TMC offsite configuration because it involves the exclusive use of facilities and personnel.
  2. Assures the account exclusive local branch attention.
  3. The 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 organization's premises, with agency employees providing full service.
  2. Advantages
    - a. Exclusive attention and a perception among travelers of higher-touch and more responsive service, including easy access to travel agents for urgent requests and troubleshooting.
    - b. Integration of the travel operation into the company's communications network may be easier.
    - c. The organization has closer control over agency service and policy application.
    - d. ARC assigns a separate ARC number to the agency location, facilitating accounting and the collection of travel management information. The ARC number belongs to the agency.
  3. Considerations
    - a. Costs for facilities and communications are part of an organization's overhead. Most costs for the onsite program are fixed and are paid even if unused.
    - b. If the agency employs only one onsite agent, the company must provide for backup or telephone rollover during busy times, illnesses and vacations.
      - i. With the emergence of more affordable telephony systems and reporting software,

staffing should be associated with telephone statistics, which help identify performance requirements for the expected numbers of calls per agent per day, taking into account acceptable hold times, transaction completion time, acceptable callback and abandon rates and other performance measurements.

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

- c. Agents must be continually trained and onsite staff should be rotated to avoid complacency due to familiarity.
- d. Employees may tend to visit the onsite agent rather than use the phone or self-booking tool, which may hurt productivity.
- e. Having an onsite could negatively impact online booking tool policies.
- f. Small onsites may be last to get advanced technology tools.

#### D. Outplant

1. This configuration is among the least common: Reservations are made at on-premises centers staffed by corporate or agency personnel and 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 by controlling ticketing, such as concentrating volume at an agency office.
4. Considerations
  - a. The organization may not have its own ARC number, so it can be difficult to uniquely track travel activity, though some outplants can obtain one.
  - b. Reliance on an offsite agent to issue tickets and prepaid vouchers
  - c. Due to firewall issues, this configuration can have challenges

regarding use of the agency's technology.

E. Hybrid: A dedicated offsite reservation team complemented by an onsite client service representative. The offsite team handles basic services, while onsite agents work with senior-level executives to troubleshoot, etc.

F. Online-originating agency: Notably Egencia, Orbitz for Business and Travelocity Business, these agencies are focused on low transaction fees for online booking services. However, due to competitive convergence, they now have offline support services while many traditional TMCs provide support for online transactions.

G. ARC-accredited Corporate Travel Department

1. ARC's Corporate Travel Department program provides an organization with direct access to its central reporting and settlement processing systems. The CTD purchases travel services for its own employees, but cannot serve the general public. A CTD can outsource most, some or none of its travel functions. The only function it cannot outsource is the actual legal and fiduciary agreement between the CTD and ARC. The location of the CTD can be on the organization's premises or an agency location.
2. The organization can determine its own operational configuration, with or without the support of a travel management company.
3. The organization manages suppliers and acquires automation.
4. Advantages
  - a. The organization retains all earned commissions, allowing for more transparency regarding transactional income.
  - b. The organization controls its own data and has immediate access to information for ongoing reporting 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, some savings could be offset because unbundling requires further management.

5. Considerations
  - a. A smaller organization 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 CTD's airline information is isolated, identifiable and available to airlines via ARC.
  - c. Unless the company is in the travel business, a CTD is not a core business service and will require a unique set of in-house or outsourced skills.
  - d. There are costs associated with achieving and maintaining CTD status, including annual ARC fees, initial bond requirements and training or hiring a certified ARC specialist for the program. However, CTD revenue can fund other projects.

#### 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 organization and its suppliers with detailed information about travel activity.
2. Advantages
  - a. Allows the organization to segment travel activity in a service center
  - b. Hotel commissions are paid to the centralized service location.
  - c. Transactions can be isolated and supported like an onsite operation with dedicated staff.
3. Considerations
  - a. The centralized service location is reliant on the TMC for reporting, if the organization does not buy a tool or adopt an internal data aggregation and reporting process.
  - b. The centralized service location should ask the travel management company for a copy of the ARC report submitted against its designation as the primary source document for reconciliation of activity.



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## IV. TRAVEL ARRANGEMENTS

- A. Traditionally, travel arrangements were handled by calling a travel agent on the telephone. 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. Many organizations have installed online booking tools, often in conjunction with travel management companies. The tools access inventory from global distribution systems and, in some cases, directly from suppliers. TMCs typically charge lower transaction fees for such bookings.
- C. Some companies use email 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 improves service, but also is less efficient in terms of workflow.
- D. Interactive voice response is an alternative for certain types of transactions, particularly those with easily definable parameters. More cost-effective than an offline agent-assisted reservation, this time-consuming and often high-maintenance system may result in negative traveler feedback, particularly for a complex trip.

## V. PROGRAM IMPLEMENTATION

- A. Identify individuals who will be responsible for tasks involved in the implementation process and key decision makers who will support the project. Develop procedures and systems to support long-term expansion plans. Flexibility and scalability are key.
  1. Many organizations concentrate initial travel management efforts at headquarters or within a core group of operating units already linked by established lines of authority, communication and shared policies. In larger organi-

- zations, a travel or procurement manager often directs the program from headquarters, sometimes with the help of a travel committee or council of representatives from the operating units participating in the initiative.
  2. A cross-functional council can help broaden support, as its decisions are seen as supporting company goals, not just those of certain departments.
  3. 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 personnel.
- B. Define implementation objectives and the parameters that will be

- used to quantify the level of success ultimately achieved.
- C. Draw up a detailed timeline for each step and specify who is responsible for each component.
- D. Distribute a statement of senior management support, optimally encouraging (if not mandating) the use of various program components. Executive support also is useful to clearly define roles and responsibilities.
- E. Ensure you have full IT support and access to the company intranet and communications tools.
  1. Connections to HR and other database feeds will make data transfers to the travel management company simpler. These capabilities also can be used to promote the program and leverage support from senior management.

## Meetings Management

Organizations increasingly are formalizing meetings management programs as a means to closely track and leverage spending, establish governance and align policies and procedures. Meetings mesh with travel management in many ways, but meetings management is a distinct discipline. The strategic meetings management program (SMMP) approach is being used by a growing number of organizations to apply standards, create metrics, monitor spending and savings, and manage risk. The following is a quick glimpse of an SMMP's components and benefits:



- A. An SMMP can deliver savings—as much as 25 percent, according to some estimates—through several methods, including:
  1. Increased visibility into spend offers greater leverage in supplier negotiations
  2. Automation to streamline such processes as attendee management, budgeting and supplier sourcing
  3. Reduced cancellation and attrition fees via standard terms and contracts
  4. Greater control over spending through a separate meetings policy, endorsed by senior management, that specifies purchasing rules
- B. A good SMMP centralizes processes across an organization's meetings management spectrum. It can address numerous areas, including:
  1. Attendee management (registration and communication)
  2. Sourcing management (managing submission and review of supplier RFPs)
  3. Reporting on spend
  4. Spend management via budgeting rules
  5. Centralized payment
- C. A best-in-class SMMP is endorsed by executives to increase compliance among meeting planners, budget-holders and attendees, and includes duty-of-care procedures to assist attendees affected by emergencies.
- D. When considering meetings technology, determine if and how those systems can link to corporate and travel management systems.

2. Dedicate intranet space to promote preferred vendor agreements, security alerts, policy changes and other information.

## VI. SUPPLIER SELECTION

Subsequent chapters provide greater detail on approaches to supplier selection. The following provides an overview:

- A. Study your enterprise's geography, cultural orientation and most-frequented destinations. Consider using an independent travel management company's survey tool as the baseline for your current state.
- B. 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.
- C. 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.
- D. Compare vendor costs by reviewing corporate charge card and expense reports, consultants, industry benchmarking groups, peers and TMCs.
- E. Provide potential suppliers with a formal solicitation or informal request with projections of travel volume, total expenditures, service expectations and pricing guidelines. The more spend you can leverage, the better preferred pricing will be, especially if you can mandate a policy.
- F. If possible, consider negotiating with one supplier for multiple destinations. Leverage volume for hotel chain agreements and multi-city car rental agreements, and consider regional or global air alliance contracts, as well as smaller local airline agreements to ensure comprehensive route coverage.
- G. Require contracts with defined service-level agreements to facilitate performance measurement on a regularly scheduled basis (quarterly is preferable). Ensure any marketshare or revenue tar-

gets are achievable and constantly monitored for changes. Establishing viable expectations enables organizations to creatively manage travel expenses without sacrificing long-term supplier relationships.

## VII. GLOBALIZING TRAVEL MANAGEMENT

For larger organizations especially (but not exclusively), expanding travel programs to a multinational (encompassing several countries) or global (covering operations on at least two continents) scope often is a logical next step. Though the definition varies, global programs often are characterized by umbrella travel policies that generally permit regional or local customization, multinational travel supplier contracts, a single form of payment across as many countries as possible and local ticketing in multiple countries. For many organizations, a single travel management company covering as many markets as possible is the preferred strategy. Others use different travel management companies in different regions.

A strong domestic or regional travel management program can provide a strong foundation for a global program. Working with local managers and being aware of local cultures is crucial to program expansion. Understand that not all aspects of a successful travel program may be transferable to other regions or countries.

### A. Benefits

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

### B. Early steps

1. Obtain senior management support and buy-in from other stakeholders. Clearly state the goal, an initial needs assessment and proper business case. Key messages likely will center on savings opportunities, process improvements, and employee satisfaction and safety. Market the concept by

emphasizing how each business unit will benefit

2. Internal coordination
  - a. If possible, appoint a full-time project manager.
  - b. Develop an internal request for information to identify who manages travel internally and collect details existing local and regional travel programs, including TMC configuration, supplier contracts and policies.
  - c. Assess your colleagues' opinions of the current travel program. Use surveys to obtain a profile of your company's local spending and business travel requirements.
  - d. Request feedback from managers in HR, MIS, purchasing and accounting.
  - e. Meet influential business heads, travel arrangers and travelers in the local countries who can be advocates for change.
  - f. Establish a global and/or regional travel councils. Ensure that each region and major country is represented. Seek participation from information technology, finance, human resources, corporate security and risk management departments.
  - g. Designate a corporate travel manager in each location or business unit. Use local travel coordinators to communicate with countries that have no designated travel personnel assigned.
3. Recognize the need to preclude a region, country, business unit or even individual departments. There may be particular needs that cannot be met by a global program, universal policy or preferred global suppliers.

### C. Global corporate card

1. A corporate card program can yield detailed spending information. Be cognizant of privacy laws, banking regulations, customs and infrastructure that restrict data collection and dissemination. By consolidating multiple business units on a single contract, organizations can reduce charge card fees and boost rebates.

2. Considerations
  - a. Merchant fees can fluctuate by market.
  - b. 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 program overhead.
  - c. Ensure that corporate card vendors can meet requirements. Note that agreements in certain countries may not permit them to provide specific services.
  - d. Focus on data-delivery capabilities and ensure that the program meets in-country needs for reporting and program management.

#### D. Data

1. As with any travel program, collecting and using data is key, perhaps more so for diverse, multinational or global programs
2. Select a primary travel agency or third-party data management company to consolidate global spending and reservation data from multiple vendors. Use of a third-party data consolidator can support multinational and multiple-agency programs.
3. Travel management companies vary in their ability and methodology for consolidating data from multiple countries.
4. Use the travel council or third-party data consolidators to collect data on existing corporate travel patterns and travel supplier relationships.

#### E. Policy

1. Consult with global human resources, corporate security, tax and data privacy groups when constructing a global policy.
2. Cover the fundamentals but leave room for fine-tuning. Global policy should be flexible and measurable, but never ambiguous.
3. Work closely with local managers.
4. Don't expect to impose identical policies in all countries. Travel options, business considerations, local cultures and sensitivities, traveler entitlements and other factors can vary widely. Work with local managers and em-

ployees to draft travel policies that reflect local realities while supporting global travel program goals.

5. Policy variances may relate to airline class of service, hotel room types, per diems, airport transportation, expense reimbursement, 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.

#### F. Travel management company role

Using a single travel management company for a group of countries within a region can offer the same advantages as worldwide TMC consolidation. No agency owns all locations worldwide and no agency has one single technology process. Point-of-sale issues, such as the local dominance of a particular global distribution system, exist regardless of the approach.

1. Central reservation center
  - a. All locations use a single site (or multiple, connected sites) for all reservations and ticketing. This allows a centralized, "follow-the-sun" service orientation.
  - b. Benefits
    - i. Eliminates supervisory, administrative and other overhead costs incurred by operating multiple sites
    - ii. Improves communications
    - iii. Consistent policy application and faster policy changes
    - iv. Easier establishment and measurement of performance standards
    - v. Usually first to get new technologies, such as automated booking and telephonic systems
    - vi. Can merit a dedicated reservations team
2. Using independent TMCs joined in an international network to support multinational accounts also is an option. Without common ownership, control, service and standardization, it may be difficult to jointly manage and coordinate the program.

#### G. Implementation and follow-through

1. Leverage worldwide travel volume

in order to negotiate global or multi-country airline and ground transportation agreements, and develop a global preferred hotel program. Country- or region-specific contracts may be necessary.

2. Develop communication and change management plans with travel council and key suppliers to prepare senior management and employees for any service, policy and process revisions. Require dedicated resources from the travel management company, including communications.
3. Leverage technology from larger units to benefit smaller ones, including online booking tools, employee tracking, pre-approval systems and post-trip data automation.
4. 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. Report benefits at locations with the highest spend and greatest potential to prove early success.
5. Leverage best practices in service configurations, preferred supplier selection and technology products as program expands to additional regions and countries.
6. Meet regularly with your travel council to review global travel program results, resolve service issues and exchange ideas.
7. Meet regularly with the travel management company. Review formal key performance indicators to measure success and identify problems.
8. Identify travel spending patterns that indicate negotiating opportunities and policy exceptions that need revision.
9. Constantly solicit feedback from travelers and provide program updates.

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# Establishing A Travel Policy



EMERGING FROM challenging times, corporations have begun to witness patches of green economic sprouts. During a recovery, C-level executives may begin to relax travel and entertainment spend restrictions and allow for more room for growth. The focus on cutting costs by reducing travel budgets no longer may be a go-to for upping the bottom line; instead, travel managers may begin to discover their travelers are spending more than in the recent past.

However, traveling employees have not forgotten the stricter travel policies of the recession. During the past two years, travel managers were in a position to eliminate potential abuses of the travel budget by reconstructing travel policies, enforcing new restrictions, and in some cases, imposing mandates and nonreimbursement clauses. By doing this, travel managers were able to maintain a level of consciousness around travel spending and the notion of legitimate expenses.

The implementation of a corporate travel policy will grant travel managers the tool needed to maintain travel discipline during better economic times.

## 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 departments including accounting, administration, finance, human resources, meetings, strategic sourcing, training, and any other with frequent 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 committee and management.
- ### B. Who should be subject to policy?
1. Only employees at headquarters or whichever location is issuing the policy. This is easiest 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. Individual travelers and groups should be subject to identical policies, but some companies may want to cover groups and meetings under a separate policy.
  5. The policy should apply to anyone traveling on company expense, including consultants, job candidates, customers and contractors.
  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 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 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. Such a policy specifically must address how to treat exceptions to cover unplanned occurrences.
2. Present policies as standard procedures carrying the official stamp of company approval with the signature of the CEO or CFO, and that require explanations when they are not followed.
3. Under Sarbanes-Oxley regulations, policies presented as mandates should be enforced to avoid the risk of misleading or unmeasurable control procedures.

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. Should a separate policy covering international travel? Such 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.

## 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 to 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 supplier discounts.
2. 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.
3. Through company travel agents who make arrangements through corporate-approved channels.
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 oversee the signing of contracts.
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 information is preferred. Some buyers have established an electronic data feed from the human resources department to the travel management company to maintain profiles. The TMC should provide tools to alert travelers of expiring credit cards, passports and visas.

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 TMC that list travelers who have made reservations out of policy. Providing exception reports by department can highlight problem areas. Often, just knowing such reports exist improves 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

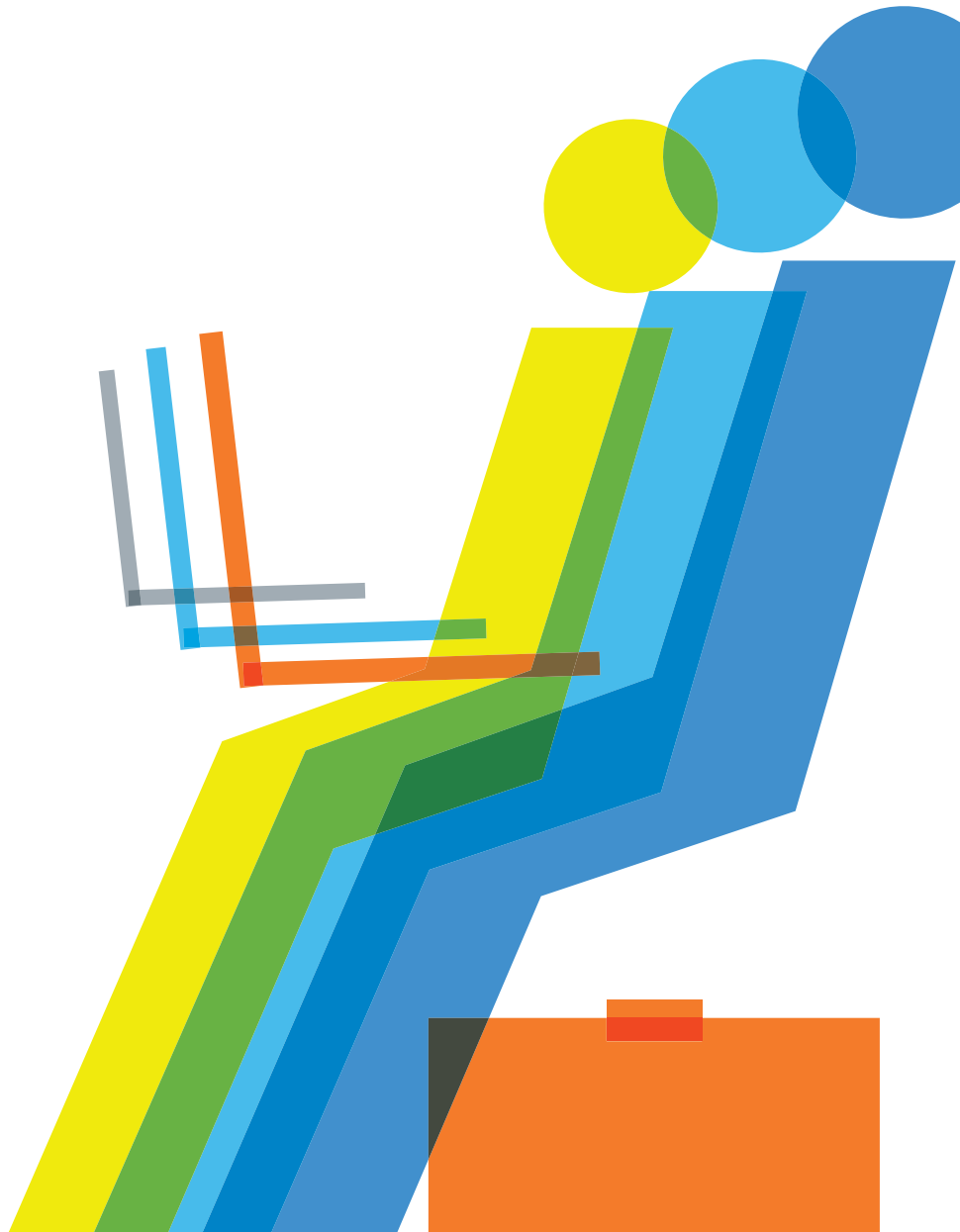
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agencies have a 24-hour reservation service or a tie-in to such services. These services frequently have additional surcharges and only should be used during non-business hours, and only for emergencies or when doing so will avoid larger cancellation penalties. Use of an online booking tool can provide round-the-clock access, but guidelines given to travelers should indicate 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 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 for business and group travel.

- 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 premium class, or that they may do so 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 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 TMC 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 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 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 carrier safety, 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 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. Airlines increasingly are offering business customers a number of a la carte options, including inflight Internet, seat assignments, day passes to airport lounges and many others. Consider whether the company will pay for such ancillary air fees as preferred seating and advance boarding.
  4. Whether the company will pay for insurance beyond what is provided by airlines, company insurance policies and corporate 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 for business and group travel
  7. Who can fly in company-owned or company-leased aircraft and under what circumstances and procedures
  8. 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.

9. 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.
10. Employees who are licensed pilots should not be allowed to fly passengers or themselves on business trips in their own or other aircraft.
11. 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.

## 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 marketshare 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 2011 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 TMCs 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.
  3. If the only hotels that conform to policy are too far from where the traveler’s business will take place, it 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 another 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.
  12. Determine if reward points may be individually collected and used or returned to the organization.

## 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. Provide the current mileage allowance for expense purposes.
    - 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 directed 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 and availability may be difficult to ensure.
  - 5. Varying sizes of cars: Depending on how many employees and clients are traveling together, or the 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, as 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 payment programs, will be reimbursed.
  - 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 either a rental car 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 traveling 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 pays for the meal and documents attendees.**
- 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.
  8. The policy may include whether adult entertainment is allowable
  9. Tickets should be purchased through a strategically sourced ticket broker or directly through the venue. Guests must be tracked for tax purposes.
- E. Specify reimbursable incidental expenses and detail the parameters required for reimbursement.**
1. Dry cleaning and other 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 separate expenses for breakfast, lunch and dinner
  5. Reimbursable business events: For instance, a birthday celebration may not be reimbursable, but a dinner at which employees receive an award may be.
  6. When meal expenses of an employee's spouse or other guests are considered reimbursable
  7. When liquor is reimbursable
  8. Include input from corporate human resources, legal and tax departments.

## VII. PAYMENT METHODS

### A. How should employees pay for travel 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



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- 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 or within 60 days
  - 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 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 VIP, gold or platinum corporate cards.
- F. Advise travelers on procedures 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. Many 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 property
    - 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 currency, specify the acceptable conversion rate used on the report.
    - a. The rate supported by a currency exchange receipt
    - b. The rate reflected on the credit card statement for charges made during the same trip
    - c. The exchange rate for the day of the transaction from a reputable published or online source
- D. When must travelers file their expense reports?
- 1. As soon as possible after the completion of each trip, often within seven days of the completion of the trip
  - 2. For frequent travelers, periodically— weekly, biweekly or monthly

- 3. Immediately upon the purchase of an advance purchase ticket, or upon receipt of the statement
  - 4. 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?
- 1. 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.
  - 2. If an automated expense reporting system is available, the policy should state that use of the system is mandatory for all travelers.
  - 3. 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.

## IX. MISCELLANEOUS

- A. Communicating a travel policy
- 1. Via the corporate intranet or travel website where applicable, supported by a written document
  - 2. In a summary document
  - 3. In multiple documents covering different modes and classes of travel
  - 4. Via e-mail and newsletters
  - 5. During employee orientation
  - 6. Travel policy seminars
  - 7. In an employee handbook, along with other corporate policy guidelines
- B. Policy may state specifically what steps will be taken when employees violate policy.
- 1. Informing supervisors
  - 2. Reminders, copied to corporate management
  - 3. Requiring more pre-trip authorizations or post-trip audits
  - 4. Reprimand
  - 5. Placing documentation in employees’ personnel files
  - 6. Delay or denial of reimbursement
  - 7. At companies where air travel is billed centrally, a requirement that policy violators must fund their trips, then seek reimburse-

- ment afterward
  - 8. Noncompliant travelers must get an exception approval from the chief financial officer, chief executive officer or division head to be reimbursed.
  - 9. In extreme cases or for repeat offenders, termination
- C. Other items that may be addressed in the travel policy
- 1. A statement of scope, goals and purpose from the chief executive officer that describes the advantages to the corporation of supporting preferred travel vendors
  - 2. A precise rundown of which company managers and officials are responsible for enforcing aspects of policy
  - 3. How, when and how much should be charged to clients for travel, if applicable
  - 4. Information and instructions on safety and security
  - 5. Instructions on what travelers should do in the event of medical and other emergencies, especially when traveling overseas
  - 6. 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
  - 7. Circumstances in which the use of remote conferencing technology is preferable to travel
  - 8. Babysitting fees
  - 9. Airline or other travel club fees
  - 10. Rules applying to charges for wireless Internet access
  - 11. Spousal travel when the spouse’s attendance is required to serve business purposes
  - 12. Kennel fees
  - 13. Responsibilities of travelers, travel arrangers and managers
  - 14. 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.

*Prepared by Lauren Darson with assistance from Acquis Consulting Group director Greeley Koch and Scholar Consulting Group president Debi Scholar. ■*

# Establishing A Travel Policy



EMERGING FROM challenging times, corporations have begun to witness patches of green economic sprouts. During a recovery, C-level executives may begin to relax travel and entertainment spend restrictions and allow for more room for growth. The focus on cutting costs by reducing travel budgets no longer may be a go-to for upping the bottom line; instead, travel managers may begin to discover their travelers are spending more than in the recent past.

However, traveling employees have not forgotten the stricter travel policies of the recession. During the past two years, travel managers were in a position to eliminate potential abuses of the travel budget by reconstructing travel policies, enforcing new restrictions, and in some cases, imposing mandates and nonreimbursement clauses. By doing this, travel managers were able to maintain a level of consciousness around travel spending and the notion of legitimate expenses.

The implementation of a corporate travel policy will grant travel managers the tool needed to maintain travel discipline during better economic times.

## 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 departments including accounting, administration, finance, human resources, meetings, strategic sourcing, training, and any other with frequent 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 committee and management.
- ### B. Who should be subject to policy?
1. Only employees at headquarters or whichever location is issuing the policy. This is easiest 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. Individual travelers and groups should be subject to identical policies, but some companies may want to cover groups and meetings under a separate policy.
  5. The policy should apply to anyone traveling on company expense, including consultants, job candidates, customers and contractors.
  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 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 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. Such a policy specifically must address how to treat exceptions to cover unplanned occurrences.
2. Present policies as standard procedures carrying the official stamp of company approval with the signature of the CEO or CFO, and that require explanations when they are not followed.
3. Under Sarbanes-Oxley regulations, policies presented as mandates should be enforced to avoid the risk of misleading or unmeasurable control procedures.

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. Should a separate policy covering international travel? Such 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.

## 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 to 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 supplier discounts.
2. 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.
3. Through company travel agents who make arrangements through corporate-approved channels.
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 oversee the signing of contracts.
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 information is preferred. Some buyers have established an electronic data feed from the human resources department to the travel management company to maintain profiles. The TMC should provide tools to alert travelers of expiring credit cards, passports and visas.

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 TMC that list travelers who have made reservations out of policy. Providing exception reports by department can highlight problem areas. Often, just knowing such reports exist improves 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 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 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 for business and group travel.

- 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 premium class, or that they may do so 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 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 TMC 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 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 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 carrier safety, 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 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. Airlines increasingly are offering business customers a number of a la carte options, including inflight Internet, seat assignments, day passes to airport lounges and many others. Consider whether the company will pay for such ancillary air fees as preferred seating and advance boarding.
  4. Whether the company will pay for insurance beyond what is provided by airlines, company insurance policies and corporate 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 for business and group travel
  7. Who can fly in company-owned or company-leased aircraft and under what circumstances and procedures
  8. 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.

9. 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.
10. Employees who are licensed pilots should not be allowed to fly passengers or themselves on business trips in their own or other aircraft.
11. 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.

## 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 marketshare 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 2011 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 TMCs 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.
  3. If the only hotels that conform to policy are too far from where the traveler’s business will take place, it 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 another 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.
  12. Determine if reward points may be individually collected and used or returned to the organization.

## 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. Provide the current mileage allowance for expense purposes.
    - 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 directed 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 and availability may be difficult to ensure.
  - 5. Varying sizes of cars: Depending on how many employees and clients are traveling together, or the 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, as 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 payment programs, will be reimbursed.
  - 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 either a rental car 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 traveling 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 pays for the meal and documents attendees.**
- 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.
  8. The policy may include whether adult entertainment is allowable
  9. Tickets should be purchased through a strategically sourced ticket broker or directly through the venue. Guests must be tracked for tax purposes.
- E. Specify reimbursable incidental expenses and detail the parameters required for reimbursement.**
1. Dry cleaning and other 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 separate expenses for breakfast, lunch and dinner
  5. Reimbursable business events: For instance, a birthday celebration may not be reimbursable, but a dinner at which employees receive an award may be.
  6. When meal expenses of an employee's spouse or other guests are considered reimbursable
  7. When liquor is reimbursable
  8. Include input from corporate human resources, legal and tax departments.

## VII. PAYMENT METHODS

### A. How should employees pay for travel 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



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- 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 or within 60 days
  - 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 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 VIP, gold or platinum corporate cards.
- F. Advise travelers on procedures 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. Many 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 property
    - 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 currency, specify the acceptable conversion rate used on the report.
    - a. The rate supported by a currency exchange receipt
    - b. The rate reflected on the credit card statement for charges made during the same trip
    - c. The exchange rate for the day of the transaction from a reputable published or online source
- D. When must travelers file their expense reports?
- 1. As soon as possible after the completion of each trip, often within seven days of the completion of the trip
  - 2. For frequent travelers, periodically— weekly, biweekly or monthly

- 3. Immediately upon the purchase of an advance purchase ticket, or upon receipt of the statement
  - 4. 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?
- 1. 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.
  - 2. If an automated expense reporting system is available, the policy should state that use of the system is mandatory for all travelers.
  - 3. 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.

## IX. MISCELLANEOUS

- A. Communicating a travel policy
- 1. Via the corporate intranet or travel website where applicable, supported by a written document
  - 2. In a summary document
  - 3. In multiple documents covering different modes and classes of travel
  - 4. Via e-mail and newsletters
  - 5. During employee orientation
  - 6. Travel policy seminars
  - 7. In an employee handbook, along with other corporate policy guidelines
- B. Policy may state specifically what steps will be taken when employees violate policy.
- 1. Informing supervisors
  - 2. Reminders, copied to corporate management
  - 3. Requiring more pre-trip authorizations or post-trip audits
  - 4. Reprimand
  - 5. Placing documentation in employees’ personnel files
  - 6. Delay or denial of reimbursement
  - 7. At companies where air travel is billed centrally, a requirement that policy violators must fund their trips, then seek reimburse-

- ment afterward
  - 8. Noncompliant travelers must get an exception approval from the chief financial officer, chief executive officer or division head to be reimbursed.
  - 9. In extreme cases or for repeat offenders, termination
- C. Other items that may be addressed in the travel policy
- 1. A statement of scope, goals and purpose from the chief executive officer that describes the advantages to the corporation of supporting preferred travel vendors
  - 2. A precise rundown of which company managers and officials are responsible for enforcing aspects of policy
  - 3. How, when and how much should be charged to clients for travel, if applicable
  - 4. Information and instructions on safety and security
  - 5. Instructions on what travelers should do in the event of medical and other emergencies, especially when traveling overseas
  - 6. 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
  - 7. Circumstances in which the use of remote conferencing technology is preferable to travel
  - 8. Babysitting fees
  - 9. Airline or other travel club fees
  - 10. Rules applying to charges for wireless Internet access
  - 11. Spousal travel when the spouse’s attendance is required to serve business purposes
  - 12. Kennel fees
  - 13. Responsibilities of travelers, travel arrangers and managers
  - 14. 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.

*Prepared by Lauren Darson with assistance from Acquis Consulting Group director Greeley Koch and Scholar Consulting Group president Debi Scholar. ■*

# Selecting A Travel Management Company



BUSINESS TRAVEL BUYERS have more at stake in choosing the right travel management company than in any other category. Aside from such standard, but important, functions as planning travel, processing reservations, supporting online booking, reporting data, implementing technology and tracking travelers, TMCs also can consult on various areas of the program. No matter the size of your corporation, a TMC can bring clout to negotiations, drive use of key suppliers and help benchmark spend patterns.

TMC selection is a matter of finding not only the right configuration, service options and costs, but also a fitting technology portfolio. Concise contractual terms with measurable service-level agreements and key performance indicators are critical parts of the communications effort required to develop a successful TMC relationship. So, too, are your interactions and relationships with the TMC and the people they put forward to manage your account. It's a service you are buying, after all.

## I. LAY THE GROUNDWORK

A. Understand your company's vision and objectives: cost versus service; regional, national or multinational structure; decentralized versus consolidated; automated versus manual support; opportunities for earliest implementation.

- B. Survey constituent perceptions to establish a performance benchmark in key locations.
- C. Consider an 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.
- D. Does your company contract directly with an online booking tool or is it part of the TMC's offerings? In the United States, 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.
- E. Determine whether integrating booking and expense reporting platforms is a goal.
- F. Document any requirements for mobile applications.
- G. Set up an advisory committee of travel arrangers, frequent travelers and managers from finance, purchasing, information technology, human resources, physical security and legal departments.

- H. Consider running workshops with four or five TMCs (including incumbents) at your offices. Invite the advisory committee to attend.
- I. Assess whether you wish to conduct this process entirely in-house. If you have many other duties to fulfill, consider hiring an independent consulting firm. Consultants are aware of the pros and cons of different service configurations as well as the various technological options and comparative costs. If you do choose a consultant, make sure there is no conflict of interest.
- J. Communicate early with the incumbent TMC your desire to bid/rebid for these services. Beforehand, assess clauses in your contract that may prevent early solicitation; never agree to such terms. Include contractual language that addresses a transitional service obligation—a three-to-four-month phase-in period—should the incumbent not win the bid.
- K. Determine if there is a realistic service-related and cost-effective reason to switch TMCs, rather than renegotiate with the current TMC.

## II. GATHER DATA

Engage incumbent TMCs, charge card and other vendors, the data warehouse provider and internal departments to collect data by country and location, including:

- A. 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 year and the two preceding years. Group these into traditional telephone—domestic, regional and cross-border—and unassisted and assisted online transactions. A higher ratio of unassisted transactions will reduce

- TMC staffing requirements and thus cost-reduction opportunities. Consider asking the TMC for a single online fulfillment fee inclusive of touchless and touched reservations.
- 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. List principal suppliers, and include corporate volume agreements and other discounts. Provide additional information for miscellaneous activity, such as after-hours service calls, use of international rate desk, navigational support, and non-GDS bookings. Include specific transaction-related support services, such as point-of-sale billing, credit card reconciliation, integration with crisis management tool, meetings management and supplier sourcing.
- E. Understand benefits and shortcomings of the current service 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. Decide whether you will charge the TMC for onsite space, a charge that the TMC likely will add in the cost they charge back to your organization.
- 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 average hold time. Include agent productivity statistics, such as average number of transactions per year.
- I. Provide non-guaranteed 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.
  - J. Percentage of bookings made by phone, online and email.
  - 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.

### III. NARROW THE FIELD

- A. Create a bidders list of TMCs to be considered. Understand the TMC's 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.
- B. Ask buyers with similar budgets and from the same industry about their experiences with the bidders.
- C. Consider how the bidders measure service and cost avoidance.
- D. Evaluate TMCs' automated tools and their ability to integrate with other corporate systems.
- E. Determine which TMCs best support the use of technology, including:
  1. Online booking
  2. Automated expense reporting
  3. Pre- and post-trip reporting
  4. Traveler tracking
  5. Payment system integration
  6. Tracking/refunding unused tickets
  7. Custom portals with profiles, policy, security and destination information
  8. Use of mobile travel applications
  9. Systems for measuring CO2 emissions and offsets
- F. Consider the TMC's role in account management, negotiation services, policy consultation, process innovation, e-commerce integration and meetings management, and any related fees.

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 preferences or expectations.
4. Investigate how the TMC handles refunds. Agreement in processing times should be included in the contract and measured. This can be an area of negative cash flow.

### IV. PREPARE AND SEND RFPs

If you do not conduct workshops or an RFI that helps narrow your bidders list, make sure TMCs must meet minimum criteria to qualify to receive the RFP. Otherwise, you may be obligated to evaluate responses that are not appropriate for your business. Customize any generic RFP template. Allow TMCs at least one month to respond—six weeks for a multinational response—and slate another four to six weeks to evaluate responses. Also, allow enough time to negotiate with a shortlisted or winning bidder. Exchange information on the following:

- A. Bidding rules and criteria on which the selection will likely hinge; information security and data privacy requirements; standard terms and conditions; whether an in-person presentation will be required; a timetable for the process
- B. Your account: objectives and requirements, data, current service configuration, current preferred vendors, reservations and payment methods, projected changes in volume, service expectation
- C. The prospective TMCs: ownership, offices and call centers, operating hours and after-hours service and support, years in business, headcount, agents' average years of industry experience and length of time with the TMC, preferred GDSs, online booking adoption rates, consortia memberships, negotiated pricing programs. Assess:
  1. Audited financial statements
  2. Size of other commercial accounts
  3. References from customers with

accounts of similar size, in similar industries and with recent implementations, as well as those recently lost for reasons other than consolidation. For multinational programs, require at least two such references, and references from participating countries.

4. Number of staff to be dedicated to your account, experience of those agents, number of air transactions or phone calls or amount of sales dollars expected of each agent to handle per day, whether agents receive incentives for booking preferred vendors, existing safeguards against interference with compliance to corporate policy
5. Call overflow procedures and whether backup will be provided in case of absences
6. Account manager roles and time allotted to your account
7. Agent training procedures
8. Complaint resolution procedures

9. Access to non-GDS content
  10. Quality control processes
  11. Whether traveler profile systems are stored in GDSs, accessible to travelers online, synchronized with the online booking product, accessible for meetings management and customized to accept U.S. Transportation Security Administration-required data for compliance with Secure Flight
  12. Traveler services: emergency services, call routing, reservation changes, international (passport, visa, legal and medical referral) services, security alerts, communication resources, meet-and-greet services, ticket tracking, mobile tools and low-fare search
- D. Multinational services. Consider:
1. The best service available in each market might not be available from the same brand of TMC. Some companies as an alternative to a global TMC use a TMC

or other entity to manage data consolidation and leave the local service element to a local TMC, as long as it can provide data in the time and format required.

2. Bring local travel managers into the process as early as possible.
3. Remember that not all agencies that carry the same name or brand or owned or controlled by the same entity. No global TMC owns all its offices. Check the company's ability to deliver seamless service across their network. Questions could include:
  - a. What is the contractual relationship between companies in different countries? How are they committed to the central contract and service delivery, and what happens if one leaves the network or gets sold?
  - b. Do the various TMCs have the same technology worldwide?
  - c. How will the data be delivered?



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Best Travel	Orbitz Worldwide	Tzell Travel Group
Casto	Ovation Travel Group	Ultramar Travel Management
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Ensemble Travel	Protravel International	Valerie Wilson Travel
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- A. Do not use only a standard TMC contract form.
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- C. Contracts commonly last for three to five years.
  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 quarterly and 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. Ensure that your firm owns all data pertaining to the account and that it may be transferred to another TMC at the contract's end. Make sure that the storage and safety of all personal profile management is in accordance with the prevalent data protection rules in the countries covered by the RFP.
  6. If your organization is a CTD, it owns the ARC number. Ensure the contract requires the outgoing agency to pass the GDS pseudo city code to the incoming agency.
- 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. Include language as to the TMC's responsibilities in working with your vendors and in online booking system implementation and fulfillment. If the TMC will fulfill bookings, the service-level agreement must detail service expectations for 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. If the incumbent does not win the bid, start work quickly on implementation. Discuss the process with all divisional travel managers and TMC account managers.
- B. Develop a schedule that clearly defines implementation steps and responsibilities. Consider introducing the program throughout the company, especially if it is global.
- C. Solicit the TMC's help with materials for travelers and arrangers. Consider a phased approach at one site, country or region and allow feedback before proceeding.
- D. Host a meeting between the outgoing and the incoming TMCs to make certain all parties agree to the transition timeline and other professional courtesies.
- E. Include field offices in the implementation. If the TMC will have on-site offices at remote locations, ask if local staff can choose the TMC-employed manager and agents.
- F. Communicate savings and service goals to the TMC and conduct monthly and quarterly reviews. Evaluate infrastructure costs up front and document start-up costs.
- G. With the public relations department, develop an internal communications plan that uses social media and the intranet.

*Prepared by Jay Campbell, with assistance from International Monetary Fund deputy division chief for procurement and strategic budget management Caro Cook, and consultants Sam Andraos, Ralph Brown, John Melchior and Mark Walton. ■*

# Selecting A Travel Management Company



BUSINESS TRAVEL BUYERS have more at stake in choosing the right travel management company than in any other category. Aside from such standard, but important, functions as planning travel, processing reservations, supporting online booking, reporting data, implementing technology and tracking travelers, TMCs also can consult on various areas of the program. No matter the size of your corporation, a TMC can bring clout to negotiations, drive use of key suppliers and help benchmark spend patterns.

TMC selection is a matter of finding not only the right configuration, service options and costs, but also a fitting technology portfolio. Concise contractual terms with measurable service-level agreements and key performance indicators are critical parts of the communications effort required to develop a successful TMC relationship. So, too, are your interactions and relationships with the TMC and the people they put forward to manage your account. It's a service you are buying, after all.

## I. LAY THE GROUNDWORK

- A. Understand your company's vision and objectives: cost versus service; regional, national or multinational structure; decentralized versus consolidated; automated versus manual support; opportunities for earliest implementation.

- B. Survey constituent perceptions to establish a performance benchmark in key locations.
- C. Consider an 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.
- D. Does your company contract directly with an online booking tool or is it part of the TMC's offerings? In the United States, 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.
- E. Determine whether integrating booking and expense reporting platforms is a goal.
- F. Document any requirements for mobile applications.
- G. Set up an advisory committee of travel arrangers, frequent travelers and managers from finance, purchasing, information technology, human resources, physical security and legal departments.

- H. Consider running workshops with four or five TMCs (including incumbents) at your offices. Invite the advisory committee to attend.
- I. Assess whether you wish to conduct this process entirely in-house. If you have many other duties to fulfill, consider hiring an independent consulting firm. Consultants are aware of the pros and cons of different service configurations as well as the various technological options and comparative costs. If you do choose a consultant, make sure there is no conflict of interest.
- J. Communicate early with the incumbent TMC your desire to bid/rebid for these services. Beforehand, assess clauses in your contract that may prevent early solicitation; never agree to such terms. Include contractual language that addresses a transitional service obligation—a three-to-four-month phase-in period—should the incumbent not win the bid.
- K. Determine if there is a realistic service-related and cost-effective reason to switch TMCs, rather than renegotiate with the current TMC.

## II. GATHER DATA

Engage incumbent TMCs, charge card and other vendors, the data warehouse provider and internal departments to collect data by country and location, including:

- A. 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 year and the two preceding years. Group these into traditional telephone—domestic, regional and cross-border—and unassisted and assisted online transactions. A higher ratio of unassisted transactions will reduce

- TMC staffing requirements and thus cost-reduction opportunities. Consider asking the TMC for a single online fulfillment fee inclusive of touchless and touched reservations.
- 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. List principal suppliers, and include corporate volume agreements and other discounts. Provide additional information for miscellaneous activity, such as after-hours service calls, use of international rate desk, navigational support, and non-GDS bookings. Include specific transaction-related support services, such as point-of-sale billing, credit card reconciliation, integration with crisis management tool, meetings management and supplier sourcing.
  - E. Understand benefits and shortcomings of the current service 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. Decide whether you will charge the TMC for onsite space, a charge that the TMC likely will add in the cost they charge back to your organization.
  - 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 average hold time. Include agent productivity statistics, such as average number of transactions per year.

- I. Provide non-guaranteed 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.
- J. Percentage of bookings made by phone, online and email.
- 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.

### III. NARROW THE FIELD

- A. Create a bidders list of TMCs to be considered. Understand the TMC's 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.
- B. Ask buyers with similar budgets and from the same industry about their experiences with the bidders.
- C. Consider how the bidders measure service and cost avoidance.
- D. Evaluate TMCs' automated tools and their ability to integrate with other corporate systems.
- E. Determine which TMCs best support the use of technology, including:
  - 1. Online booking
  - 2. Automated expense reporting
  - 3. Pre- and post-trip reporting
  - 4. Traveler tracking
  - 5. Payment system integration
  - 6. Tracking/refunding unused tickets
  - 7. Custom portals with profiles, policy, security and destination information
  - 8. Use of mobile travel applications
  - 9. Systems for measuring CO2 emissions and offsets
- F. Consider the TMC's role in account management, negotiation services, policy consultation, process innovation, e-commerce integration and meetings management, and any related fees.

- 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 preferences or expectations.
- 4. Investigate how the TMC handles refunds. Agreement in processing times should be included in the contract and measured. This can be an area of negative cash flow.

### IV. PREPARE AND SEND RFPs

If you do not conduct workshops or an RFI that helps narrow your bidders list, make sure TMCs must meet minimum criteria to qualify to receive the RFP. Otherwise, you may be obligated to evaluate responses that are not appropriate for your business. Customize any generic RFP template. Allow TMCs at least one month to respond—six weeks for a multinational response—and slate another four to six weeks to evaluate responses. Also, allow enough time to negotiate with a shortlisted or winning bidder. Exchange information on the following:

- A. Bidding rules and criteria on which the selection will likely hinge; information security and data privacy requirements; standard terms and conditions; whether an in-person presentation will be required; a timetable for the process
- B. Your account: objectives and requirements, data, current service configuration, current preferred vendors, reservations and payment methods, projected changes in volume, service expectation
- C. The prospective TMCs: ownership, offices and call centers, operating hours and after-hours service and support, years in business, headcount, agents' average years of industry experience and length of time with the TMC, preferred GDSs, online booking adoption rates, consortia memberships, negotiated pricing programs. Assess:
  - 1. Audited financial statements
  - 2. Size of other commercial accounts
  - 3. References from customers with

- accounts of similar size, in similar industries and with recent implementations, as well as those recently lost for reasons other than consolidation. For multinational programs, require at least two such references, and references from participating countries.
4. Number of staff to be dedicated to your account, experience of those agents, number of air transactions or phone calls or amount of sales dollars expected of each agent to handle per day, whether agents receive incentives for booking preferred vendors, existing safeguards against interference with compliance to corporate policy
  5. Call overflow procedures and whether backup will be provided in case of absences
  6. Account manager roles and time allotted to your account
  7. Agent training procedures
  8. Complaint resolution procedures

9. Access to non-GDS content
  10. Quality control processes
  11. Whether traveler profile systems are stored in GDSs, accessible to travelers online, synchronized with the online booking product, accessible for meetings management and customized to accept U.S. Transportation Security Administration-required data for compliance with Secure Flight
  12. Traveler services: emergency services, call routing, reservation changes, international (passport, visa, legal and medical referral) services, security alerts, communication resources, meet-and-greet services, ticket tracking, mobile tools and low-fare search
- D. Multinational services. Consider:
1. The best service available in each market might not be available from the same brand of TMC. Some companies as an alternative to a global TMC use a TMC

- or other entity to manage data consolidation and leave the local service element to a local TMC, as long as it can provide data in the time and format required.
2. Bring local travel managers into the process as early as possible.
  3. Remember that not all agencies that carry the same name or brand or owned or controlled by the same entity. No global TMC owns all its offices. Check the company's ability to deliver seamless service across their network. Questions could include:
    - a. What is the contractual relationship between companies in different countries? How are they committed to the central contract and service delivery, and what happens if one leaves the network or gets sold?
    - b. Do the various TMCs have the same technology worldwide?
    - c. How will the data be delivered?



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Corporate Travel Solutions	priceline.com Incorporated	Vacation.com
Ensemble Travel	Protravel International	Valerie Wilson Travel
Expedia, Inc.	RADIUS	Virtuoso
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- 4. Include a clause in the contract that spells out who at your company owns reservation records.
- C. Contracts commonly last for three to five years.
  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 quarterly and 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. Ensure that your firm owns all data pertaining to the account and that it may be transferred to another TMC at the contract's end. Make sure that the storage and safety of all personal profile management is in accordance with the prevalent data protection rules in the countries covered by the RFP.
  6. If your organization is a CTD, it owns the ARC number. Ensure the contract requires the outgoing agency to pass the GDS pseudo city code to the incoming agency.
- 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. Include language as to the TMC's responsibilities in working with your vendors and in online booking system implementation and fulfillment. If the TMC will fulfill bookings, the service-level agreement must detail service expectations for 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. If the incumbent does not win the bid, start work quickly on implementation. Discuss the process with all divisional travel managers and TMC account managers.
- B. Develop a schedule that clearly defines implementation steps and responsibilities. Consider introducing the program throughout the company, especially if it is global.
- C. Solicit the TMC's help with materials for travelers and arrangers. Consider a phased approach at one site, country or region and allow feedback before proceeding.
- D. Host a meeting between the outgoing and the incoming TMCs to make certain all parties agree to the transition timeline and other professional courtesies.
- E. Include field offices in the implementation. If the TMC will have on-site offices at remote locations, ask if local staff can choose the TMC-employed manager and agents.
- F. Communicate savings and service goals to the TMC and conduct monthly and quarterly reviews. Evaluate infrastructure costs up front and document start-up costs.
- G. With the public relations department, develop an internal communications plan that uses social media and the intranet.

*Prepared by Jay Campbell, with assistance from International Monetary Fund deputy division chief for procurement and strategic budget management Caro Cook, and consultants Sam Andraos, Ralph Brown, John Melchior and Mark Walton. ■*

# Working With Airlines



AIDED BY TAILWINDS of healthy corporate demand and limited capacity growth, U.S. airlines this year sit comfortably in the captain's seat when negotiating corporate agreements.

While the cost of fuel always can create turbulence, carriers successfully have passed such expenses on to buyers through pricing actions and new sources of ancillary revenue. The latter, of course, has further complicated the buyer's task in securing favorable rates for his or her company, especially as securing data—let alone discounts—for those fees remains as difficult as ever.

Shifting the supply-demand equation further in carriers' favor are healthy corporate demand, modest capacity additions and no new entrants.

Merger and acquisition activity also has tilted the balance of power toward air suppliers. To illustrate, the five largest U.S. carriers in 2005 held around 50 percent of the domestic market, based on U.S. Department of Transportation traffic data. The top five now holds more than 70 percent of the market, thanks to tie-ups between Delta and Northwest, United and Continental and Southwest and AirTran.

The situation is similar in international markets, where clusters of antitrust-immune joint ventures—which one analyst called "shadow consolidation"—control large swaths of traffic on key internation-

al—especially transatlantic—routes.

Still, airlines are as dependent as ever on corporate revenue, and questions remain about the pace of recovery. As always, buyers who can steer market share and deliver on commitments secure stronger footing when going toe-to-toe with carriers.

The following is a guide to establishing and maintaining a preferred relationship with a carrier.

## I. GAUGE THE COMPANY MINDSET

Airline deals are all about market share. 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 market share to preferred airlines. Though air deals are more about market share 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. For accounts with lower air volume, many airlines offer small-business programs that include discounts, mileage accrual, rebates and other benefits.

**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 could include the CFO, corporate travel manager, purchasing or procurement and meetings management representatives, 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.
  2. Assess frequent flyer program 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



# JetBlue

## Even More...Flexibility, Convenience, Space, Speed

**C**orporate travel managers continue to discover what business travelers have long known. JetBlue Airways is committed to delivering even more flexibility and convenience across the board, from options for negotiating corporate travel agreements to comfortable in-flight experiences to the cities serviced.

In keeping with the airline's reputation for being innovative, JetBlue is happy to work with corporations in whatever way best serves the enterprise needs. "We have no preconceived notions about the best way to structure a corporate agreement," says Dennis Corrigan, vice president of revenue management and sales. "We're open to working with travel managers however they want to work with us, whether that's standard upfront discounts, flat fares, or back-end programs."

### ALL IN ONE

Regardless of the details of a corporate program, companies are keenly aware of the benefits of services bundled into the consistently low fares, including one bag free of charge\* and free unlimited snacks and soft drinks.

Another consistent, says Corrigan, is, "We regularly hear from the corporations about how much their travelers enjoy the service JetBlue provides. Travelers are amazed by how quiet the airplanes are, which is very conducive to working if they want to."

That quiet is achieved in part by JetBlue's advanced inflight-entertainment options, which includes seatback monitors with 36 channels of free DIRECTV® programming, and free XM Satellite Radio® with more than 100 channels.† "Everyone has headphones on," laughs Corrigan.

Launching in the latter part of 2012, travelers will have even more opportunities for productive time inflight as JetBlue introduces true 21st-century high-capacity broadband wireless access.

Comfortable leather seats and the most legroom in coach on continental U.S. flights (based on the average fleet-wide seat pitch of U.S. airlines) means travelers can work or rest in comfort.

\* Weight and size limits apply.

† Available on flights in 48 contiguous states only.



### FLEXIBILITY AND SPEED

For travelers who want to stretch out even more, JetBlue has introduced Even More™ Space, featuring ultra-spacious seating in addition to early boarding and first dibs on overhead storage space for a little extra. Even More Space goes hand-in-hand with Even More Speed, an expedited pass through security at 15 airports, with more on the way. "All of our research shows speed and flexibility are keenly desired by travelers," says Corrigan. "These programs are a direct result of customer desires."

### BUSINESS-FOCUSED MARKETS

In addition to innovative and ever-expanding services, JetBlue has consistently been growing its schedule in key business-travel markets, such as Boston, New York, Chicago, Los Angeles, and Washington D.C.

"We're focused on growing both the depth and breadth of the schedule," says Corrigan. At Boston's Logan International Airport, for example, JetBlue now serves more destinations than any other airline in the airport's history, with non-stop service to 43 destinations in the U.S., Caribbean, and Mexico. JetBlue is one of the largest at New York's JFK International Airport and the largest carrier in Puerto Rico and the Dominican Republic. Altogether, the airline serves 66 cities with 700 daily flights and more on the way. ●

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evaluating your ability to enforce policy.

## II. GATHER INFORMATION

With proper data, a corporation could win discounts on specific city pairs, 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 city pairs—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 in various fare classes, including full-fare economy, discounted economy and business class. 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. 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 through the Bureau of Transportation Statistics at [bts.gov](http://bts.gov).
1. Obtain marketshare information by city pair 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 market share on a route and another carrier's 20 percent share is significant to the buyer's opportunity to move share.
  4. Useful information can be obtained from several third-party firms and 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 for seat selection, checked bags, inflight Internet, onboard meals and 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.
- 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 domestic focus
  2. Recognize product differences. Some airlines are no-frills, low-cost operators, while others provide a more comprehensive range of services. Some so-called

- low-cost carriers, however, are providing more ticketing flexibility, distribution options, discount programs and 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.
    - 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 an established relationship 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.



# Southwest Airlines

## Taking Low Fares Farther

**C**elebrating its 40th birthday this year, Southwest Airlines has mastered the art of aging gracefully, combining low fares with innovative strategies and customer service that's not only excellent, but just "plane fun."

"Our focus on low fares has been a staple for our success for the past 40 years and one that we see continuing for the next 40 years," says Rob Brown, Southwest Airlines director of corporate sales and distribution.

In addition to low fares, Brown points to the airline's no-fee structure as a key differentiator for corporate travel programs. "It's been documented that fees are one of the biggest pain points for business travelers," notes Brown. "Our no-fee strategy and overall value proposition has allowed us to make a lot of headway in the managed travel space."

Among the perks included in the standard fare: two free checked bags, no change fees and travel at any time without surcharges. Southwest's lack of fuel surcharges has especially been noted by the corporate travel industry.

### CULTURE CONNECTION

But it's not just the fares that differentiate the low-cost carrier. "Our culture is our key differentiator," says Brown. "We empower our employees to be themselves and service customers in such a way that we earn their loyalty." There's no question that Southwest's unique formula continues to do just that: Southwest was named "airline brand of the year" in the 2011 Harris Poll EquiTrend survey of more than 25,000 U.S. consumers.

For corporate accounts, that service starts right at the beginning, with a dedicated corporate sales team committed to working with corporate travel departments to create strategic partnerships and access through multiple distribution channels.

Southwest has recently revamped its Rapid Rewards program, making it "even more generous

to business travelers," says Brown. The expanded program includes no blackout dates, unlimited reward seats, the ability to earn points for every dollar spent, no expiration date and more. The A-List Status was also redesigned with perks

such as priority boarding, priority check-in, bonus Rapid Reward points and security lane access in Fly-By Priority Lanes. A new category, A-List Preferred Status, was added for even more frequent flier benefits, including free in-flight WiFi where available.

Access to the Fly-By Priority Lanes is also a benefit of Business Select Fares, which include additional perks for business travelers, such as priority boarding, a complimentary premium drink and extra Rapid Rewards Points.



### CONVENIENCE AND COMFORT

In addition to expanding programs, Southwest continues its commitment to a top-notch cabin experience, with such amenities as all leather seats, spacious leg room (32 to 33 inches), comfortable seat width of 17 inches and 3 inches of seat recline. Road warriors can maximize their in-flight time with newly introduced satellite-enabled WiFi internet access onboard, currently being implemented across the Southwest fleet.

The fleet itself is also growing, with the addition of 20 Boeing 737-800s in 2012, providing larger aircraft and the ability to service even longer haul flights while maintaining Southwest's trademark all-coach configuration.

Additional markets will become available as Southwest moves forward with integration of newly acquired AirTran. Southwest Airlines will begin the integration of two industry leading brands with the Single Operating Certificate early next year. ●



- 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 selective regarding the accounts on which they choose to bid. Offering more volume on international routes can revive rejected requests for domestic discounts. 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/strategic 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 market share 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 communi-

- cate the benefits of any back-end deals to corporate travelers.
4. Your discount might be dependent upon your travel management company's override agreement, through which it receives compensation to drive volume to a particular carrier. The travel management company might pass on to you the production-based revenue it earns from the airline on business booked for your account. Be aware that these agreements may not be in line with your preferred airline mix. Though such agreements are confidential to airlines and travel management companies, it's possible to learn the targets and the value of your company's contribution to the override.
  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. 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.
  4. Multinational agreements may include different discounts in different regions but also may provide a bonus for overall multinational performance and other umbrella incentives. Strive for point-of-origin pricing rather than point-of-sale pricing, so discounts are available regardless of the country in which an airfare is booked.
  5. 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 promotional fares and how they can be used and counted within contracted programs.**
- G. Some carriers may have a preferred payment or lower-cost payment vehicle that could impact airline flexibility.**
- H. 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.
- I. 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.
- 3. Consider holding employee 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
- 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 and agents, 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. Conversely, publish lost savings opportunities.
  6. If your spend is of sufficient volume, airlines will allow your travel management company to 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

## 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 reiterates policy and encourages the use of your preferred airline.

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**UNITED**



A STAR ALLIANCE MEMBER





# United Airlines

## An Unparalleled Network with Worldwide Reach

**W**ith a strong focus on the business traveler and corporate travel programs, the integration of United

and Continental provides an unparalleled network with worldwide reach. “The beauty of this merger is two complementary airlines with little overlap and we’re blending the best of both,” says Dave Hilfman, United senior vice president of worldwide sales. “This airline is built for the business traveler.”

As the two continue to make significant progress towards operating as a single carrier, Hilfman notes, “We’ve made great strides in carrying out integration of the salesforce in the Americas and are making progress on the international front.” Hilfman stresses that any changes to corporate-related products and programs will be based on buyer feedback as the best of both airlines is merged. “We’ve been doing a lot of listening so that we can bring the best value to our corporate buyers,” he says.

Several changes are already underway, including moving to a single loyalty program, MileagePlus, for both carriers, as well as a consistent airport experience, aligned policies and procedures, and the new look of the aircraft, which incorporates Continental’s iconic globe logo.

As the company continues to optimize the combined networks of the two carriers, corporations can look forward to new routes as well. In June, for example, several new flights were introduced from

For more information about United’s corporate travel programs, contact your United sales manager or visit [www.united.com/business](http://www.united.com/business) resources. For PassPlus information, go to [www.united.com/passplus](http://www.united.com/passplus).

West Coast hubs Los Angeles and San Francisco as well as from East Coast hub New York/Newark Liberty.

This spring also saw the beginning of a massive redevelopment project in Houston’s George Bush Intercontinental Airport, United’s largest hub. A joint effort of United and the Houston Airport System, the \$1 billion redevelopment will expand Terminal B in three stages to allow for operational flexibility and a better customer experience.

In addition to integrating the corporate programs

of United and Continental, Hilfman says the carrier is working towards complete integration of programs with Atlantic Plus-Plus, the joint venture that also includes Lufthansa, British Midland, Air Canada, Swiss International Air Lines, and Austria Airlines, as well as with the newly created transpacific joint venture with ANA.

“With the merger and the joint ventures, we have the most spectacular network on the planet, bar none,” proudly says Hilfman.



### BUSINESS-FRIENDLY AMENITIES

In addition to expanded facilities and flights, Hilfman points out several new initiatives geared to enhancing the travel experience. “A big priority for us is making sure we’re easy to do business with,” he says. “We’ve been listening carefully to our customers and have responded by offering a lot of products, like flat-bed seats, DirecTV, in-flight WiFi, and mobile apps, that provide convenience and value to our business travelers. With all the investments we’re making, the new United will have the most modern, fuel-efficient fleet and a suite of in-flight products that business travelers want and expect when on the road.”

To that end, several enhancements have been introduced or are currently underway. United currently offers inflight internet service on 14 aircraft and is introducing WiFi service on 200 Continental aircraft next year. Mobile access was expanded earlier this year, allowing mobile check-in and mobile boarding passes for passengers with international itineraries, in addition to mobile functions such as checking flight status, itineraries, MileagePlus accounts, and more. And new flat-bed seats have already been installed on 116 aircraft in the combined fleet, more than any other U.S.-based carrier, while the popular Economy Plus seats—offering up to five extra inches of legroom—will be expanded to Continental aircraft next year. ●

**UNITED**

A STAR ALLIANCE MEMBER

- marketshare commitments.
7. Ensure your travel management company does not have in place travel 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.
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, email, surveys, social networks and memos to hear their opinions about whether the airline is providing acceptable service. Be sure copies of all queries and complaints are forwarded to your office.
  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.
  5. Many large companies use third parties to analyze contract performance and understand how

- airline yield management affects preferred corporate deals.
6. Compile data from management reports for use in negotiations at least one month before the contract is set to expire. Such data should include:
    - a. Average fare per negotiated route for preferred and nonpreferred 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 market share 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. Though airlines largely are unwilling to negotiate the elimination of baggage fees, they often are waived for elite frequent flyers. Major carriers are willing to negotiate

elite designation and status-matching as part of a deal, which can help frequent travelers transition to a new preferred carrier.

### B. Upgrades

1. Many airlines award upgrades almost exclusively to elite members of loyalty programs. 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.

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

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

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

*Prepared by Jay Boehmer, with assistance from eBay travel buyer Laura Hodgkinson and Scott Gillespie, author of Gillespie's Guide to Travel+Procurement. ■*

# Setting Up A Corporate Hotel Program



MANAGING HOTEL PROGRAMS presents a complex set of challenges for travel buyers. Hotels generally are the second-largest piece of the travel-spending pie and in some programs even surpass airlines in total costs. Even the largest multibrand hotel company barely scratches the surface of the wide range of properties available to travelers. This range not only increases the challenge of selecting preferred properties but also that of making sure travelers aren't lured away by their favored properties or by what they consider a better deal.

Buyers this year potentially face their toughest negotiations since 2007, with demand—particularly corporate transient demand—growing strongly amid stunted supply growth. Going into negotiations fully prepared, therefore, is even more critical than usual. Successfully designing a hotel program begins with determining goals, gathering data and reaching out to proper partners that can help buyers navigate the tricky jungle of the hospitality industry.

## I. SETTING GOALS AND PREPARING FOR NEGOTIATIONS

- A. Determine the goals you want to achieve in your hotel program, and evaluate the resources and time needed to accomplish them. Consider the return on investment of internally managing the entire

process with your own team or outsourcing a portion of the work to your agency or one of the numerous consulting firms with expertise in the hotel segment. Travel management companies, for example, might have a department that specializes in hotel programs.

- B. 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. Buyers also should consider the strategic goals of their overall travel program and how they relate to their hotel program.
  1. Tap the following sources to maximize data gathering:
    - a. Travel agency reports and online booking tool reports for both hotel and air, which can leverage your negotiations and increase your cost savings and avoidance

- b. 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.
  - c. Expense reporting and/or accounting records: Work with hotels and corporate card vendors to see if your program might benefit from electronic folio.
  - d. Production reports from past hotel usage
  - e. 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:
  - a. The number of hotels in a given city that you intend to include in the program. In general, secure one or two hotels in every market with 200 or more room nights.
  - b. An indication of whether this number reflects a consolidation of properties in the past few years
  - c. Cities visited at least once a month, including the number of booked room nights from your consolidated volume reports
  - d. The number of travelers that visit each city monthly or annually, determined by airline data
  - e. An overall indication of the corporate travel policy, any recent changes and traveler adherence
  - f. The number or percentage of hotels in each price tier—budget, economy, midprice with food and beverage, midprice without food and beverage, extended stay, upscale, upper upscale and deluxe—used in each city

- g. A breakdown of hotels used in each city, including downtown and airport properties
- h. Average length of stay in various cities and at various types of properties
- i. Seasonality of business and typical day of week use
- j. Information on past use of and preference for hotel services and amenities, as well as any forthcoming policy changes that would affect their use
- k. Changes in the corporate structure, such as acquisitions or staff changes, that could affect hotel usage
- l. Meetings and incentive trip data. Request historical meetings and project data so you can negotiate in high-volume markets that are not a major part of your transient travel program. Details could include:

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

C. 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.



D. 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, multi-brand 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. Multiyear chain deals can save time and money for future negotiations and include value-added amenities unable to be negotiated locally or regionally.
  - 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 once gravitated to upscale, upper upscale or even deluxe hotels to house their travelers, midprice brands' offerings and service levels are acceptable to many business travelers.
  - i. The value created through free breakfast, free high-speed Internet and free parking makes these locations more attractive. Try to negotiate elite status cards for top travelers to increase such value-adds.
  - ii. Many midprice brands offer services comparable to some upscale brands, including high-quality grab-and-go eateries. Other midprice brands offer only simple dining options, such as a breakfast buffet, but these usually are free for guests.
- d. Not all multibrand hotel companies have the same range of brands. Some have brands concentrated only in the midprice

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and economy categories, while others 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. In addition, some chains will offer a combination of both fixed-rate pricing for high-volume cities and a percentage off for all other locations, commonly referred to as a "hybrid program." This may be dependent on overall company spend and room night volume with the chain.
  - f. Even though demand for hotels in small, tertiary markets might be for fewer room nights than in key cities, the more modest number of rooms might not necessarily translate into less negotiating leverage. Given how local markets operate, hotels may welcome even relatively small volumes of business.
2. Individual hotels
- a. Discounts obtained through volume-based negotiations can be greater when dealing with individual hotels directly than when negotiating chainwide rate concessions.
  - b. A hotel program for a city can consist of just one preferred hotel or as many as a half-dozen. Normally, the best rates are achieved by limiting the number of properties per city, which will drive more volume to those hotels, provided good compliance to the hotel program. In high-occupancy cities, however, multiple hotels covering multiple brands typically are required to ensure travelers will be able to secure availability at a preferred property.
  - c. Some buyers have built relationships with property sales managers that may help in cases in which special consideration is needed. However, it is important to include your chain representative in these discussions to ensure proper rate loading and visibility for all

negotiated hotels.

#### E. 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. However, extenuating circumstances, including safety concerns, may 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, though consider crime and safety issues in airport locations.
    - ii. 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.

- 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. Inviting hotel chains to submit each hotel's business case as to why it should be invited to bid could help in creating a clean and thorough solicitation list.
  - 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 drive greater compliance. Avoid committing to a specific room night volume if possible.
  - 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 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.

- F. Establish key contacts: After identifying individual hotels and chains for program consideration, contact the right people to get the negotiations started. In the typical hotel, unless there is a corporate transient specialist, identify the sales manager or director who has the authority to negotiate rates. Pre-RFP, email the contacts to confirm the contact name and email address for the hotel. These hoteliers could include:
1. The hotel's national sales office and general sales office staff
  2. Property-level sales directors or hotel managers
  3. General managers or hotel owners
  4. Regional director of sales

## II. NEGOTIATION TOOLS

### A. RFPs

1. When gathering information, consider using as a guideline the standard request-for-proposals format developed by the hotel committee of the Global Business Travel Association or another widely accepted RFP format. GBTA's modular RFP, for example, supports dynamic pricing requests and addresses environmental issues. Hoteliers in Europe, the Middle East and Africa, however, are less likely to view the GBTA RFP as a global format.
2. Several vendors also provide electronic requests for proposals, which now largely are an industry standard.
  - a. Third-party hotel representation firms have evolved to provide this technology on behalf of buyers and hotel clients.
  - b. Many hotels have entered electronic versions of these forms into their computer databases so they can quickly respond to

travel buyers' inquiries.

- c. 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.
  - d. 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. Consulting solutions
1. Consulting departments within travel management companies can develop 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, an RFP provider will provide scrubbed data to a company that specializes in rate auditing. Such scrubbed data ensures all 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. Most chains will not participate, particularly during seller's markets. Some buyers have reported the technology saved time in the rate renegotiations 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. Include a letter of introduction with all your requirements in the RFP. You might also have chains call to introduce you to individual hotels.

### 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. These 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.
  - a. Most hotel companies today offer agency-negotiated pricing that is the same as the best available rate of the day, versus the historical fixed-rate model. Based on market conditions, rates in this model can fluctuate as often as daily.
  - b. Your chainwide discounts also can help you in these regions.
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 industry standard among hotels is 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 noncommissionable 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 noncommissionable rates.
  - b. Net rates 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. If a commissionable consortia rate exists, the net rate should be at least that rate less commissions with a range of -1 percent to 1 percent.
  - e. Discuss other options 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 what are the critical amenities for your travelers. These might include:

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. Propertywide smoking bans
9. Loyalty program restrictions and requirements
10. Breakfast
11. Free local phone calls and waived surcharges for toll-free calls
12. Cancellation policies and early/late checkout fees

#### 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. 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 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 contracts, 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, provided your department has influence over selecting those meeting sites and can drive additional volume to a selected hotel as a result.
3. Historically, hotel agreements 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 multiyear rates.
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 the length of the contract

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. If 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 or online booking system and the method of payment for the rooms, including corporate card. Requiring travelers to get the rate through the corporate booking tool drives

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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. Consult with your risk management department to set 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, 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 usually lies at 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 MONITORING THE PROGRAM

Putting together a series of hotel agreements is the first step toward a successful program. The key is to build relationships that will last into the future. Once you 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. The use of an online booking tool, if properly set up, will guide travelers to book preferred properties.
2. Post the preferred hotel directory on the 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.

3. Distribute brochures from hotels to employees and 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, emails 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. Implementation
    - a. Rate-loading issues have prompted some buyers to audit rates on a quarterly or even monthly basis.
    - b. 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. The audit process should be conducted for a variety of dates, as the lack of hotel availability on a particular date will impact the results.
    - c. Audits also should look for “rate squatters,” hotels that are not part of your program but

- load rates into your GDS anyway. Often, hotels preload rates during negotiations, particularly if they stretch into the next calendar year, and they can neglect to remove those rates if they are not selected for your program.
- d. Have travelers alert you if they



are unable to access negotiated rates through your preferred booking method.

2. Following up
  - a. Hotel chains or individual properties that fail repeated audits should be given a deadline to resolve the problem or be removed from the program.
  - b. Many hotels have viewed the prospect of being removed from a hotel program because of rate-loading inequities as more of a threat than a reality. Buyers easily can reach an impasse as hotels neglect to adjust the rate loaded into the global distribution system and travelers continue to book the inaccurate rates that remain in the system.

Even errors uncovered in a January audit can take months to correct. Much of a buyer's leverage depends on the size of the travel program in question and the importance to the hotel of this particular piece of business.

- C. Establish a calendar—quarterly is recommended for larger, more complex programs, while semi-annually is sufficient for smaller programs—that sets appointments with hotel sales representatives to review terms of the contractual agreement so that each party upholds its end of the deal. If time constraints prevent more frequent appointments, meeting with hotel representatives once each year should suffice.
- D. Solicit feedback on preferred hotels through questionnaires, comment cards or surveys via email or intranet sites. Explore social networking avenues for soliciting traveler feedback. Share feedback with property management.
- E. 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. Similarly, if room night production is much lower than projected, hotels may seek to renegotiate in the other direction.
- F. Use data to report on goals you set at the beginning of this process, and consider quarterly reviews to ensure you are meeting them. Keep abreast of market conditions in your key markets to prepare for any impact on your program.

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# Working With Chauffeured Providers



FOR MANY TRAVEL procurement organizations, the air category is firmly in the driver's seat, hotel rides shotgun, rental car sprawls itself across the back seat and chauffeured ground transportation remains locked in the trunk. However, corporate travel buyers increasingly are giving the category a seat in the car.

While not nearing the dollar levels of the big three corporate travel ticket items, ground transportation spend is not negligible, as industry estimates put it between 2 percent and 5 percent of total travel spend for most companies.

Still, a number of challenges await buyers navigating this road: The supplier base is highly fragmented, reservations largely are handled offline and meaningful spend and usage data remains difficult to attain. However, there are bright spots, particularly as suppliers and third-party technology providers further automate reservations and data collection.

Corporate use of ground transportation has been on the upswing since the dramatic declines that accompanied the recession—an era when chauffeured ground transportation was an all-too-common target for cuts.

However, some companies increasingly are viewing those once-common percep-

tions of excess through the rearview mirror, realizing that a comprehensive transportation program, if well managed, can be an important, justifiable and cost-effective component of corporate travel programs.

Negotiating opportunities still 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 appear less extravagant options. Additionally, emerging automation in the space is bringing about heightened levels of pricing transparency.

The following are key points to consider when negotiating with chauffeured transportation companies.

## 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, taxis, shuttles

or public transportation, not just chauffeured services.

2. Corporate card data can provide total charges for car services by using merchant category 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 your company's 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.
2. Locations: Include frequent destinations, company offices and international locations for a multinational 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 chauffeured services
8. Service requirements, such as wireless Internet access, newspaper, refreshments or other amenities, driver requests, vehicle type, car color, alliances with air or hotel loyalty programs
9. Methods of making reservations: by phone, global distribution system, third-party or vendor website or direct link with vendor.

## II. SETTING STRATEGY

Analyze patterns of traveler usage of sedan

and limousine services in consideration of one of the following 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 and pricing
- D. An outsourced approach, using a service provider to manage suppliers, accounting and reporting

### III. PREPARING AN RFP

Weigh your priorities and create a request for proposals detailing 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. RFP samples can be obtained through travel management companies, consultants and/or industry associations. 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 are affiliates selected and quality standards maintained by the corporate office at these locations?
    - b. Do licensing, training, security and drug testing procedures apply to drivers at affiliated or licensed locations?
    - c. What is the resolution process for problems with affiliates?

- B. Fleet information

- 1. What is the size of the active fleet and the breakdown of makes and models of vehicles?
- 2. 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?
- 3. Describe the maintenance program, including frequency of inspections, washings and maintenance and whether an audit of inspection reports is permitted.

- 4. Are cars equipped with global positioning systems and emergency road service systems?
- 5. Are hybrid, electric 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 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. 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 information
  - 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. Are reservations taken by phone, global distribution system and/or online?
- 3. Can reservations be processed 24 hours a day, seven days a week through all channels?
- 4. What percentage of total reservations are booked online?
- 5. What specific capabilities and advantages does your online booking system provide?
- 6. What is the average call length?
- 7. What is the average tenure of reservation staff? What type of training, quality monitoring is in effect?
- 8. Does the company have a voice or computer dispatch system?
- 9. Are its computer systems integrated? Ask for information on the system for reservations and dispatch.
- 10. In what manner are rides confirmed before pickup?
- 11. 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. Understand the full range of potential surcharges levied by vendors.

Which surcharges are negotiable, which can be waived and how are they assessed? Vendors can charge surcharges for the following:

- a. Fuel
  - b. Out-of-town, late-night, weekend or holiday service
  - c. Time of day for early or late pickup
  - d. Waiting time
  - e. Tolls
  - f. Airport parking
  4. Are there any reservation-processing fees?
  5. What is its international pricing? Are there extra mileage charges or high tax rates at overseas locations?
  6. Does the company levy ASAP request fees?
  7. What are the extra charges for special vehicles?
  8. For how long are rates guaranteed? Many companies stipulate that rates must be guaranteed for 120 days.
  9. Are volume-based discounted rates offered? If so, what are the thresholds?
  10. Are upgrades or discount coupons negotiable?
  11. How are chauffeur tips handled?
  12. Request that quotes be broken out with a base rate, taxes, tolls and gratuities.
- 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. What is the standard timeframe for billing and payment?
  4. Overseas, is billing available in U.S. dollars?
  5. 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?
- H. Other services**
1. Does the company offer a VIP program? If so, describe it.
  2. Is it allied with airline or hotel loyalty programs? If so, determine any soft-dollar benefits the fre-

quent 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. 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 manager assigned to the corporate 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?
- N. Consider an onsite visit, ideally at a location where your volume is highest during peak hours, to check the availability of cars, level of maintenance, types of technology used and professionalism of dispatchers and drivers.**
- O. Consider setting up a pilot arrangement with the vendor for a limited period of time to test service and performance, including the billing mechanism and problem-resolution process.**

## IV. NEGOTIATING, EVALUATING AND IMPLEMENTING A DEAL

- A. Keep in mind your company's service needs and budgetary limits. 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.**
1. If selected, how much time would the vendor require before fully implementing? Request a detailed implementation plan that identifies the major tasks, dependencies and timeframes required to implement the services.
  2. Ask that any additional costs associated with implementation process be fully disclosed.
  3. Some providers have a special implementation team. Determine who is responsible for the tasks at hand.

*Prepared by Jay Boehmer, with assistance from Sustainable Corporate Car Solutions managing member Patricia Charla and Limos.com vice president of business product and operations Leslie Bernauer. ■*

## Working With Car Rental Firms

MAJOR RENTAL CAR companies continue to drive down the road of consolidation, with both Hertz's pending acquisition of Dollar Thrifty and the planned worldwide reunification of the Avis brands increasingly possible. While the supplier base further bonds around three major suppliers—Avis Budget, Enterprise Rent-A-Car and Hertz—the immediate implications for corporate travel buyers remain uncertain.

As such, buyers are encouraged to take advantage of the current market, which has proved favorable as suppliers continue to compete aggressively for corporate accounts and business rental rates remain mostly lower than those charged last year.

The following are some key points for negotiating with rental car 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 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, taxes and other 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 and 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 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 rentals, including origins and destinations. Include miles driven for each one-day rental.
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 and number of annual rental days in top markets
8. Evidence of travelers' safe driving records while on company business, particularly if you plan to seek collision damage waiver or loss damage waiver coverage
9. All information available on international car rental usage
10. Percentage of car rentals booked through global distribution systems, TMCs 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
18. Suburban locations where the corporation has rented vehicles, including number of rentals, rental days and expenditures
19. Number of rentals and expenditures for GPS, satellite radio, road-side emergency services, etc.

### 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 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 an annual total volume of less than \$1 million.
- C. A nationwide agreement with one supplier, supplemented by agreements with local vendors, often providing lower rates in high-volume areas. Determine if costs will be lower when giving all volume to a national vendor or in dealing with local operators. Small corporations often can do well locally.
- D. Agreements promising approximately equal volume to two or more vendors
- E. 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 different vendor.
  2. Corporations seeking to negotiate global contracts often already have consolidated with one TMC internationally.
- F. Look into alternative programs like car- and fleet-sharing for short-term rentals if you are in a participating market. Car-sharing programs or technology that enables the pickup and return of vehicles



# Avis

## A True Partner, On and Off the Road

**T**here is a company out there who cares about your challenges, where people are committed to offering personalized solutions, no matter the size of your business. A global car rental company with products and services specifically designed to meet the needs of you and your travelers. Appropriately, it's Avis who knows the importance of going the extra mile for their corporate partners.

### A PARTNER IN THE OFFICE

The Avis Corporate Account Program is tailored to your company's specific needs and requirements. By enrolling in the program, in addition to offering your company great corporate rates, you'll also benefit from a dedicated account team, a best-in-class implementation process, billing options, and cutting-edge reporting tools.

Your dedicated account team is focused on delivering outstanding service and fostering a trustworthy partnership. Always responsive and proactive, your team is driven to find the right services, products, and benefits for your company.

To help you achieve a seamless transition, you'll have a dedicated Business Activation Specialist every step of the way. Committed to your program's success, the Business Activation Specialist offers support and guidance as you complete the proven Avis roadmap implementation program that delivers 95% compliance.

To learn more about the many benefits of the Avis Corporate Account Program, and how Avis can customize a car rental solution to fit your needs, be sure to visit [avis.com/corpaccount](http://avis.com/corpaccount).

make your job easier.

With Avis Interactive, you'll see the data of every traveler paired with every Avis transaction, sorted any way you need it. You can download monthly traveler and transaction information to your computer instantly. Avis Interactive is an effective way to track traveler compliance, identify avoidable travel expense,

Getting personal and timely assistance is just one of several ways Avis proves to be a collaborative partner. They also offer you exclusive tools that



and ultimately save on overall costs.

In addition to great savings and exceptional services, being an Avis Corporate Account member can be good for business. That's because Avis can provide you with value-added programs and initiatives to help your company achieve its goals and objectives.

### A PARTNER AROUND THE GLOBE

But these services and benefits become even more valuable when you take into account Avis's global presence. Found in 168 countries with more than 5,000 locations, Avis is your travel partner around the world. Avis was the recipient of the "World's Leading Business Car Rental Company" award at the 2010 World Travel Awards. It also holds the distinction of being named the winner in the following categories: World's Luxury Car Rental, North America's Luxury Car Hire, South America's Leading Car Hire, Mexico and Central America's Leading Car Hire, Europe's Leading Business Car Rental Company, the Middle East's Leading Business Car Rental Company, Asia's Leading Car Hire, Australasia's Leading Business Car Hire, the Indian Ocean's Leading Car Hire, and Africa's Leading Business Car Rental Company.

As a responsible corporate citizen, Avis is committed to monitoring, measuring, and managing its environmental impact, and is constantly seeking ways to reduce it where practicable. Avis' efforts reach across the entire global organization and

include the following initiatives: SmartWay Certified vehicles, smoke-free fleet, gas/electric hybrid vehicles, and a partnership with NextEra Energy with renewable energy credits built into your rate, rendering your car rentals carbon neutral.

Additionally, renting with Avis supports your supplier diversity initiatives. You can optimize your car rental program by leveraging Tier II reporting and improve your organization's overall supplier diversity score. Avis is proud to be a member of such associations as Billion Dollar Roundtable and the Million Dollar Club of the United States Hispanic Chamber of Commerce. It is also considered to be one of America's Top Corporations for Women's Business Enterprise by Women's Business Enterprise National Council (WBENC) for 11 consecutive years.

## A PARTNER ON THE ROAD

While all these benefits are great before hitting the road, Avis has a myriad of services created with your travelers in mind. To make booking a rental easier, Avis developed their own iPhone app. And to make picking up a rental a breeze, Avis® Preferred® Service allows travelers to keep their preferences on file, skip the rental counter, and head straight to their car. Avis also has best-in-class fleet maintenance standards, 24/7 roadside assistance, and a great diversity of cars to fulfill every rental occasion.

Avis also knows how to reward customer loyalty. Avis First™ is Avis' premier customer program that offers members a whole new level of rewards, including free upgrades, free two-day weekend rentals after every fourth rental, and a member-only website. By enrolling in the Avis Preferred Service program and renting 12 or more times in a calendar year, your travelers are automatically entered into the Avis First program.

Other Avis-exclusive products, such as Avis e-Toll™, Avis e-Receipt™ and where2® GPS, are available to help travelers save time and money. Avis e-Toll is an electronic toll collection program that

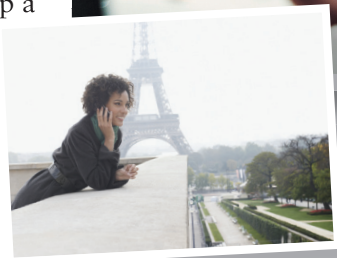
eliminates the need for travelers to carry change or wait in long cash payment lines at toll plazas. Avis e-Receipt emails rental receipts directly to a traveler's in-box within 24 hours of the completion of a rental. Both of these services also make it easy for you to manage costs. Where2 GPS is widely considered the best in its class of navigation systems. With audible turn-by-turn directions, local points of interest, and 3D maps, your travelers can count on always knowing exactly where they're headed.

Sometimes the easiest way to get around is to let someone else drive. Avis Chauffeur Drive is the easy and affordable alternative to limo services. Whether your renters are looking for an opportunity to work while they're on the go, or want to relax while someone else does the driving, Chauffeur Drive by WeDriveU® Chauffeur Service has the fully trained, certified, and insured chauffeurs you're looking for. Easily incorporated into any rental, it can save your company up to 40% compared to limo services.

When a rental is needed for two months or more, the Avis Mini-Lease program gives you special low rates, a chance to earn points or miles for airline and hotel frequent traveler programs, a wide selection of vehicles, and it requires no return or contract renewal.

Avis is constantly on the lookout for other ways to improve your travelers' car rental experience. Thanks to Avis' ongoing traveler survey, Voice of the Customer, they are able to monitor customer satisfaction and expectations. Listening to travelers gives Avis the ability to change with prevailing trends and make improvements quickly.

Avis has proven itself a worthy travel companion. And with the Avis Corporate Account Program, Avis also makes a smart business partner. ●



# AVIS®

from unstaffed locations can be beneficial for intra-city travel, and suppliers increasingly are offering such programs in major markets.

### III. PREPARING RFPs

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 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 have economic conditions changed your travel patterns?
  3. How will planned corporate initiatives, such as acquisitions and cost-savings initiatives, impact travel spend?
- 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 renters from responsibility for accident damages and lost or stolen vehicles
  2. Liability insurance for accident damages
  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 car
  5. Supplemental liability: An umbrella policy that covers companies beyond minimum state requirements
  6. Note that many large companies self-insure or use insurance provided by their corporate charge card programs. 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? What charges, if any, are associated with road-side services?
- D. Examples from car rental vendors of standard and customized management reports provided to other corporate clients. Know what spending and usage information your organization requires.
  1. To what degree can you drill down transactions by name, location and date?
  2. In what formats are management reports provided?
  3. When are reports provided: monthly, quarterly or in another interval?
  4. Is there a cost to obtain customized reports?
- E. References from customers with comparable volume and location to yours, as well as from accounts no longer using the company as its preferred supplier
- F. 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.
- G. A list of airport locations and the mode of conveyance from terminal to rental counter to vehicle.
- H. A list of all surcharges for high-cost cities or for one-day midweek rentals
- I. A list of supplemental charges by location, including taxes, local surcharges, off-airport access fees or on-airport concession fees.
- J. Request fixed refueling rates.
- K. Many car rental suppliers offer special rental services, enhanced programs and clubs for VIP travelers and frequent renters. Consider:
  1. The maximum number of VIPs that a company can enroll
  2. Benefits such programs offer
  3. Whether such VIP programs would drive policy compliance
  4. Extra fees for loyalty miles earned on rentals
  5. Whether there is a cost to the buyer for such programs
  6. Whether the supplier has affiliations or partnerships with airlines, hotels or other corporate

travel suppliers for frequent flyer or other loyalty programs

- L. An assessment of the vendor's internal quality-control programs
- M. A description of safety programs and vehicle safety systems
- N. The average age of the fleet and the time after which cars are returned to manufacturers or resold
- O. Information on the vendor's financial health and its ability to provide the fleet and services you need
- P. 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.
- Q. Investigate the technological capability of vendors regarding access to rental inventory and reservations.
- R. Special programs, such as onsite fleets, one-way car rental rates from the airport and one-way flat rates between certain cities.
- S. Technologies available to renters. Does the provider offer GPS, 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 GPS devices to monitor traveler whereabouts or enforce speeding violations?
- T. Request a list of participating locations. Not all car rental locations participate in corporate rate or insurance programs.
- U. Ask about the availability of hybrid, flex-fuel or high-fuel-efficiency vehicles. Hybrid vehicles can be significantly more costly to rent.
- V. Understand the procedures and technologies the car rental company offers to expedite the pickup and return of vehicles. Are these available at all or select locations?

### 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



# National and Enterprise

## Two Great Brands. One Great Business Solution.

**E**nterprise Rent-A-Car and National Car Rental are internationally recognized brands owned and operated by Enterprise Holdings—the largest car rental company in the world measured by revenue, employees, and fleet. National Car Rental has long been favored by frequent renters at airports for speed and vehicle choice. Enterprise Rent-A-Car is the first choice for business travelers who prefer to rent near their home or office for greater convenience and affordability. With these two brands, Enterprise Holdings gives businesses the service and value they expect from the brands they've come to know and trust—and the most comprehensive business rental solution in the marketplace.

To learn more about the many benefits of National and Enterprise, visit [www.enterpriseholdings.com/BTN](http://www.enterpriseholdings.com/BTN) or call 877-439-4504.

### ENTERPRISE HOLDINGS

- More than \$12 billion in annual revenue
- 68,000 employees
- 1.1 million vehicles, the world's largest fleet
- A worldwide network of more than 7,700 neighborhood and airport locations

### NATIONAL CAR RENTAL

Founded in 1947, National Car Rental is a premium brand serving the daily rental needs of the frequent airport business traveler throughout the United States, Canada, Mexico, the Caribbean, Latin America, and Asia. National helped pioneer the corporate account business and introduced the car rental industry's first comprehensive frequent-renter program, the Emerald Club. Today, Emerald Club continues to expedite the car rental process for time-sensitive corporate travelers by offering counter bypass and automatic e-receipts as well as car choice—



which enables customers in the U.S. to quickly choose their own vehicles without any paperwork and simply drive away.

National's Emerald Club was selected as the winner of the Best Rental Car Loyalty Program in the 2010 and 2011 Editors' Choice Awards at SmarterTravel, the largest online travel resource

of independent expert advice for the budget-conscious traveler.

### ENTERPRISE RENT-A-CAR

Named to *BusinessWeek's* annual list of "Customer Service Champs" in 2007, 2008, 2009, and 2010, Enterprise Rent-A-Car is known for its low rates, neighborhood convenience, and outstanding service. Enterprise also has ranked "Highest in Rental Car Customer Satisfaction" among North American airport rentals for the last seven years in a row\*, according to the 2004-2010 J.D. Power and Associates Rental Car Satisfaction Studies.



With more than 5,500 offices located within 15 miles of 90 percent of the U.S. population, Enterprise offers a wide variety of car leasing, vanpooling, car sharing, and hourly rental programs—and local car rental

customers are picked up at no extra cost. To further minimize the environmental impact of car rentals, Enterprise not only offers customers the opportunity to offset carbon dioxide (CO<sub>2</sub>) emissions, but also to rent a hybrid vehicle in more than 30 major markets.

In addition, Emerald Club members are recognized at all Enterprise locations. Enterprise also offers preferred pricing on rentals, mileage reimbursement alternatives, long-term rental discounts, and customized rental plans to ensure companies get the best possible value. ●

\* Enterprise Rent-A-Car received the highest numerical score among rental car companies in the proprietary J.D. Power and Associates 2004-2010 Rental Car Satisfaction Studies<sup>SM</sup>. 2010 study based on 11,567 responses measuring 9 companies and measures opinions of business and leisure travelers who rented a vehicle at an airport location. Proprietary study results are based on experiences and perceptions of consumers surveyed in October 2009 - September 2010. Your experiences may vary. Visit [jdpower.com](http://jdpower.com)

ENTERPRISE HOLDINGS.

enterprise

National

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 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 TMC 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, or special rates for weekly, monthly, multi-monthly, 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 midweek 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.
- 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 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. Safe-driving program discounts
- 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.
- 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 a reduced price per gallon or liter, especially if travelers regularly pay for not refilling the gas tank upon return.
- 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.
- 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. Consider negotiating to reduce or eliminate blackout dates. Otherwise, get a list of blacked-out dates and cities for the upcoming year.
- Y. Evaluating a bid
  1. Assess the components most important to your company and weight those responses. Other than price, consider service quality, geographic coverage, airport locations and the speed of rental and return processes.
  2. Research the vendor's financial stability and 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.
  3. If the vendor partners with a chauffeured transportation company, assess a bundled program.

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## Evaluating Corporate Travel Automation

Travel management technology can help companies reduce travel spending through improved analytics, use of preferred suppliers and adherence to policy.

Essential steps are identifying where in the travel management process automation can be most effective, determining the right tools and focusing on data access, data management and process improvement.

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 end-to-end and expense reimbursement systems.

### I. STRATEGIC PLANNING

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

- A. Begin developing a travel technology strategy by identifying and examining the areas where your company can make the greatest gains through automation. Benchmark your operation against a best-in-class organization. Once discrepancies are identified, create action plans. Consider the firm's readiness to promote and enforce technology use to travelers and travel arrangers, how travel fits with corporate IT strategies, the availability of IT support and senior management interest. Including the major stakeholders from the earliest stages improves the process and helps to earn travel program support. It particularly is helpful to involve them in testing new systems.
- B. 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.
- C. Include foreign divisions or subsidiaries and support technology

and users in multiple languages. Ensure that you become aware of and are in compliance with all data privacy laws.

- D. Don't automate for automation's sake. Make sure the return is obvious and somewhat guaranteed.

### II. ONLINE BOOKING TOOLS

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

- A. Many corporations have negotiated tiered pricing structures with their travel management companies. They pay a lower amount for automated reservations than for traditional telephonic ones, thus cutting the cost of the booking process. Online bookings typically are divided into unassisted transactions, which are fully automated, and assisted transactions, which require human intervention and carry a higher fee.
- B. Automated fulfillment can allow corporations to handle more volume with the same headcount, although the remaining non-automated transactions (international/multi-stop/open-jaw) are more complex and require more time to book.
- C. 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.
- D. Online tools offer the ability to effectively manage policy compliance and preferred supplier use through precise administration of the tools' policy settings.
- E. 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 that charge different per-transaction fees based on the form of booking at the point of sale have achieved high levels of adoption without a mandate. Often, the fee for 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. Reduced level of live-agent service: Travelers often will use a live agent if given the option without a cost impact. Some companies mandate the online system for all travelers for certain bookings and use agents only for more complex bookings.
5. Senior-level buy-in: Having high-level support from a senior execu-

tive, preferably the chief executive officer or chief financial officer, is critical.

6. Pilot groups: Some companies proceed slowly after beginning technology implementations with a small, controlled group of interested users, the most technologically aware and/or the most frequent travelers. Other companies roll out the system company-wide within three months.
  7. Some online tools offer online/offline functionality, where all reservations—regardless of complexity—start in the online tool. A rules engine determines which reservations are eligible for online booking and which should be handled by an agent. The offline reservations are provided to an agent in a structured format, which eases the booking process. Using such functionality guarantees the highest level of adoption for eligible transactions.
- F. Online booking systems can tie into separate pre-trip approval systems, allowing additional methods of controlling costs and tracking travelers. Some systems use passive approval, or pre-trip notification, tools rather than active approval, or pre-trip authorization, tools to avoid unnecessary bottlenecks.
- G. Considerations
1. Determine which bookings are eligible for booking online and which are ineligible. For many companies, 100 percent of all domestic bookings of four legs or less and all simple-round trip international itineraries are eligible. 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. Corporate online booking tools generally are behind the leisure market in site usability and design.
  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 unused 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 TMC allows you to take out costs on the traditional full-service side more quickly. Make sure the travel management company plays a role in increasing online adoption.

### III. VIDEOCONFERENCING

Advancements in videoconferencing and telepresence technology and the decision in the past three years by many companies to severely cut travel prompted many to in-



stall 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, some buyers find these virtual meetings productive and believe they reduce wear and tear on travelers. Some argue that all internal meetings should be virtual.

- A. Videoconferencing technology usually is managed by IT departments, but travel decision-makers can promote its use and examine airline citypair and hotel data to determine the best locations for such installations. Integrating videoconference booking systems with the travel booking process can push travelers toward

videoconferencing, especially if travelers must justify non-virtual choices.

- B. Technology suppliers have made some systems interoperable, potentially making remote conferencing tools even more effective as a travel alternative or supplement. Connections can be made across various networks and equipment types; however, corporate security constraints, in which IT approves all connections, typically remain.

### IV. DATA 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. Management tools have the ability to provide pre-trip reports, which allow managers to take action before a trip has taken place.

- 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. Advanced reporting tools provide more analytics, such as benchmarks to determine relevance to peer groups, trend analysis to determine the effectiveness of programs and recommendations to improve performance.
1. Travel management companies compile raw data that originally come from accounting systems using booking records. Other travel vendors, such as hotels, car rental companies and charge card providers, also might furnish data. Some systems enable the user to merge vendor data with the travel management company data, although merging card data with expense reporting may be more effective.
  2. 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.

3. Many corporate intranets have standard online reporting tools to give managers actionable information.
  4. Ensure suppliers not only deliver travel information electronically in standard report formats, but also provide for a fee web-based ad hoc reports and expertise to build highly complex reports across multiple databases.
  5. Reports are used not only by travel management departments, but also by budget-holders within the company. Rather than training many individuals to use the online reporting tool, pre-program certain reports and push them to the budget-holders so that they can track T&E spend as it happens.
- B. Considerations for handling 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 audits may benefit from direct access to the system.
  3. Ask other companies of your size about their experience with reporting systems. Have vendors provide a list of all corporate customers so you can select the reference. When buying any technology,

references from trusted sources are critical.

4. 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; if not, you will need a separate graphics package.
  - d. Ask questions about system maintenance and support, software updates and follow-up expenses.
  - e. Get references and call other travel managers with programs similar to yours.
5. Data integrity: The information you receive in reports only will be as good as the data that passes from reservation records into the accounting system. Investigate the accuracy of current reports and establish front-end procedures to produce the most reliable and comprehensive data.

## V. EXPENSE REPORTING

Many companies have reported a quick return on investment from automated expense reporting. Cost savings appear relatively quickly and are easy to quantify. Automated expense management solutions enable corporations to feed expense information to accounting systems. These solutions offer a variety of capabilities, including feeding booking and corporate card data into expense reports; routing, approvals and workflow; and reimbursing travelers via automatic funds transfer. The most advanced solutions also include robust analytics.

Federal Sarbanes-Oxley requirements have made automated expense reporting systems, which have built-in audit con-

trols, more attractive.

Ideally, automated expense systems 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 use a significant level of hotel e-folio data.

- 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 tools 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



10. Provide management information for the specific purposes of enhancing travel supplier negotiating and forecasting

11. Make receiptless 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? Does your company require integration with multiple cards? What about variety in policies requiring a complex configuration and/or integration with multiple systems?

2. Does your company have an enterprise resource planning system with a built-in module for travel expense management?

3. 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?

**VI. END-TO-END AUTOMATION**

Integration of the online booking tool with the expense management tool provides an end-to-end solution that could substantially reduce the time and cost associated with expense management, as well as offering enhanced functionality to the end-user. 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 busi-

ness units and financial managers.

Companies considering such systems should document carefully which 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 and mid-office and expense tools to make sure that important functionality is not lost in the race for integration.

**VII. MOBILE APPS AND SOCIAL MEDIA**

New technologies allow business travelers to remain more closely connected to their offices than ever, as advances in mobile technology and location-based services have



enabled the development of new kinds of communications with travel managers and travelers. Social networking applications within corporate intranets and online booking tools

also can speed feedback on travel supplier performance.

A. The proliferation of wireless connectivity in airports, airplanes, trains, restaurants and hotels, as well as smartphones, offers travelers more opportunities to send and receive updated company and trip information. IT departments generally drive the purchase of such products and services, but many applications involve travel. Although a product may be free or bundled into the cost of another offering, 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. Traveler security and itinerary aggregation apps are strong areas of opportunity for mobile development.

B. The longtime proliferation of sites for travelers to search for travel options—such as meta-search engines, online travel agencies and even supplier websites—is taking a new turn as suppliers are establishing a presence and conducting commerce at social media sites too. Facebook fan pages are expanding with booking engines and apps to support direct bookings. Many corporate travelers are searching these sites, and suppliers are making it even easier to eschew the preferred booking channel.

**VIII. GLOBAL DISTRIBUTION SYSTEMS**

Global distribution systems are the platforms on which most corporate travel bookings are made.

A. Global distribution systems provide real-time data about flight schedules, airfares and seat availability, and they process airline reservations. They provide availability and booking support for hotels, rental cars, trains, limousines and ancillary travel services.

B. Global distribution systems store information on travelers' booked itineraries in the form of passenger name records, and they pass booking information to agency accounting systems.

C. They store passenger and corporate profile information that can be transferred automatically into reservation records.

D. Most global distribution systems implementations are led by travel management companies, which may be considering alternatives in light of any supplier initiatives to disintermediate the GDSs. Does the travel management company have a technology or a plan to accommodate non-GDS segments, or a super-PNR strategy?

## IX. MID-OFFICE QUALITY CONTROL/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 information are correct. Fundamentally, the filters and policy management embedded within your online booking tool should manage most of your travel policy requirements. Mid-office and QC programs are effective and utilized by most TMCs when fulfilling your bookings.

- 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. Data collection and reporting: Data from GDSs are 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 emails based on passenger name record

characteristics. These capabilities are fundamental to pre-trip approval and end-to-end automation systems.

## 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 and 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 long-term system enhancements? 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 confidentiality and indemnification provisions for the data and the technology? Who owns the data, you or the supplier? How well will the database integrate with your

current information technology environment?

- O. Will the vendor let you test the product on a demonstration site?
- P. What about a free pilot to validate both the difficulty in implementing and the usage of the system?
- Q. For online booking tools:
  1. Is the system fast and easy to use for booking?
  2. What content is offered? Are web fares integrated?
  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 the vendor be involved in prioritizing ongoing enhancements and changes to the system functionality?
  11. Can the technology help move share to preferred suppliers?
  12. Does the system generate a booking that is easily ticketed and touchless?
  13. Can the system support my corporate discounts?
  14. In the case of an agency switch, will access to system data be available?

*Prepared by Jay Campbell with assistance from BCD Travel vice president for global business solutions David Coppens, EXL Service vice president of business development Michael Jacques and consultant Steve Reynolds of The R Group. ■*

# Selecting A Corporate Payment System



A CORPORATE PAYMENT program provides travelers with the ability to pay for company expenditures and the travel buyer with a window into spending habits and, most importantly, data for policy compliance, and negotiating leverage.

Corporate card programs are an essential cornerstone of corporate travel, but can be daunting to establish or change, with contracts that are complex, lengthy and usually require a commitment of several years.

As card data increasingly feeds automated expense, reporting or general ledger applications, and as card providers increasingly offer expense or procurement technologies, the decision-making is more complicated.

Suppliers increasingly are targeting card programs to buyers with smaller travel volumes. For larger programs, suppliers are upgrading global delivery capabilities and data reporting and providing additional benefits and savings to companies that generally have more mature programs and want to consolidate their supply base.

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

## 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
7. Leverage consolidated card spend
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 or improve 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 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 and shipping
- D. Enhance management data
1. 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, and give greater oversight of T&E spending.
  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' abilities to pass enhanced transaction data.
  4. Consolidate information globally by tasking the provider to do so.
  5. Leverage the expertise of your 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?
- c. Detail contract requirements.
  - d. Consider an automated request-for-proposals tool.
3. Consider holding a bidders conference, 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 time-frame.
  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. Schedule demonstrations and obtain client references, perhaps with similar travel patterns, policies or geographical use.

#### E. Criteria for selection

1. Establish criteria for success.
2. Identify elements for review.
3. Develop scoring systems to promote objective decisions.

#### F. Available options

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 (ghost cards), and another for hotel and car bookings, emergencies and ticket changes en route.
  - d. 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.

- e. Diverse agreements with multiple vendors: Company divisions with different cultures need different card programs. Treasury departments often desire consolidation of banking relationships to better leverage currency exchange fees and overall costs.

#### 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.
- 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 oth-

## II. PROGRAM EVALUATION

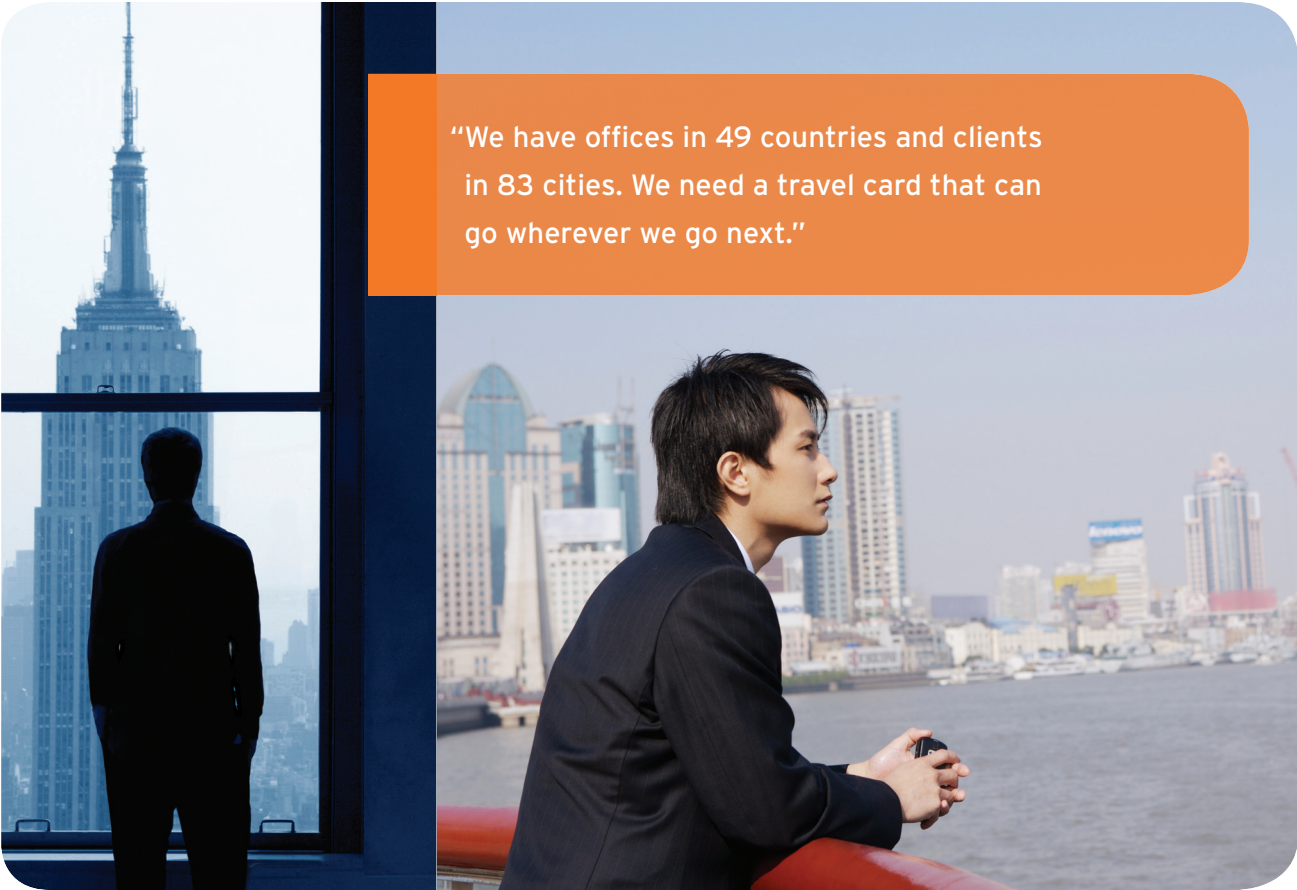
- A. Identify a senior management sponsor and establish a cross-functional team to manage the process. This often comprises travel, payroll, finance, accounts payable, HR, legal, procurement, internal audit, IT and treasury.
- B. Based on travel program goals, develop the requirements of the payment program and include:
  1. Number and location of travelers
  2. Senior executives versus other types of travelers
  3. Spending by category: air, rail, hotel, rental car, limousine, meals
  4. Policy for use
  5. Geographic scope
  6. Interfaces with other systems
  7. Data consolidation specifications
  8. Reporting and reconciliation specifications
  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 requests for information and/or requests for proposals.
    - a. Describe the company and its readiness for a card program.
    - b. Outline criteria for success. Consider such program factors

er 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: Includes cards for trainees or visitors, prepaid or stored-value cards, budget or declining balance cards, single-use cards, meeting cards, and cards acceptable only with specific merchants. Prepaid cards can be used with traditional corporate cards to replace cash advances and reduce currency exchange fees.
3. Billing format: Advise vendors if your company has requirements for statement format and billing cycle. Many providers can receive payments online.
  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:
    - a. Check, physical or virtual: Vendors rarely accept checks from companies any longer, although individuals may still pay by check in some instances.
    - b. Electronic funds transfer or direct deposit
    - c. Electronic data interchange
  2. Terms are negotiable.
    - a. The balance usually is owed monthly, although companies should consider overall terms with shorter days of funds outstanding.
    - b. 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, in-house information technology and account support and costs. 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 reprogramming 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 internal departments can help evaluate such tools?
    10. Can a third party host the tool to avoid internal support needs?
    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 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?
  16. Does the tool automatically convert 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. Can the tool provide management reports at the same level of detail as the expense report?
  19. Can the provider establish policy compliance controls within the enterprise reporting system?
  20. Can the tool evaluate bookings versus actual expenses, and can the issuer work with the TMC 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 reward points for card use. These programs can work for or against policy and may impact rebate potential.**
- K. Related spending management programs**
1. Procurement cards: Most T&E charge card providers also offer card programs for corporate purchasing. There can be lever-



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age 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: Provide corporate meeting cards primarily to 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 rewards programs that give cardholders the opportunity to earn redeemable points.
- 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 (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. How will you service frequent travelers to Canada, Europe or other areas where pin-and-chip is the security authorization used and where on U.S.-issued magnetic-stripe cards increasingly don't work in kiosks? Does your supplier offer options or must you consider a dual issuer to service global travelers?
  4. Do you need luggage, traveler or cancellation insurance, purchase protection or roadside assistance?
  5. Do you want to provide prestige-level or executive cards, airport lounge access, concierge services or free airline companion tickets to some travelers?
  6. 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?

7. 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?
8. 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.
9. Your travel volume and patterns
  - a. Spending by category, in order to determine services for which travelers are likely to use a card
  - b. Spending per traveler
  - c. Your major locations
10. Restrictions on maximum amount per transaction, frequency and ATM use for cash advances
11. In which countries and currencies will you need to issue cards?

### III. VENDOR SELECTION

Issue a formal request for proposal or a less-structured request for information to learn of card vendor offerings to your specific needs. 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.
- Does the card capture data on air trips with more than four legs?
  - How are air ticket refunds tracked and credited?
  - 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?
  - Which prior-period comparisons are provided, so you can spot trends and developing problems?

- 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?
- What is the reporting frequency and the time from close of billing to report?
- What is the turnaround time for the vendor to produce a customized report? What is the fee?
- In which languages and currencies are the product reports? Can the reporting be rolled up to provide a consolidated, global view?
- 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?
- How long is data stored? What is the back-up process?
- How often is the data reporting system updated?
- Is the system available on the

- Internet or intranet?
- 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:
- Online access: Data is stored on the vendor's computer or Web site and reports are extracted remotely.
  - Downloading: The vendor transmits account data to your computer.
  - Online query: The vendor provides a report electronically upon request.
  - To create your own reports with vendor-provided software, consider:
    - Frequency of account data updates
    - Does the software help create reports, charts, tables and graphs? Can it transfer files into



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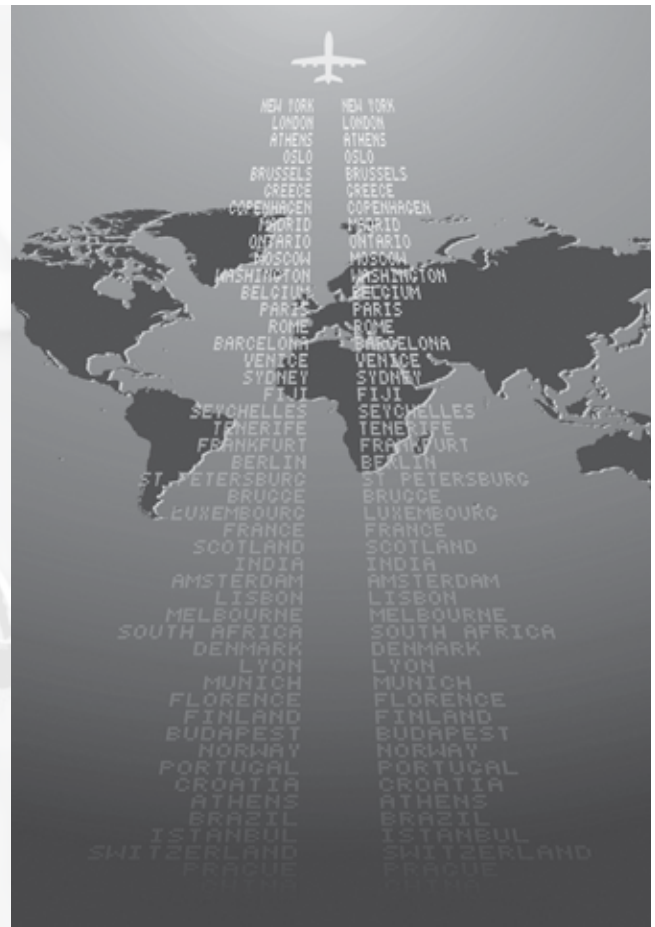
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- Reduce T&E spending through better compliance of policies

UATP is a low cost payment option that airlines offer to corporate customers so both can reduce the high cost of credit card purchases and travel spend.

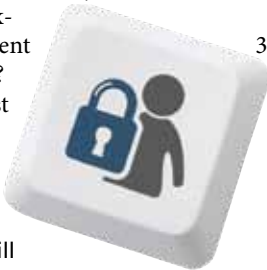
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programs for communication and writing reports?

- c. Will an administrator have to be trained? Will support be guaranteed?
  - d. Are the data-access mediums (including Excel or Access) you need available?
  - e. Request samples of standardized and customized management reports from actual accounts.
  - f. Can the data interface to your general ledger, expense, procurement or other systems?
  - 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 3 percent of the transaction cost. While such fees have been increasing for basic cardholders, they typically are less costly than converting cash in foreign countries, though foreign ATM transactions can be even less. However, ATM withdrawals also incur their own currency



conversion fees.

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 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 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 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. 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 every 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 report-

- ing. 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 multinational card program, focus on:
1. The issuance and administration of corporate cards
  2. Consolidating international management information
  3. Service 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 for 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.

#### 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 corporate 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.
  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. For initial or ongoing training, consider hosting a recorded educational session about the card benefits and use.

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