



# innovate

## INTRODUCTION

### THE BTN GROUP INNOVATE 2014 THINK TANKS

The Innovate 2014 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about six of the biggest challenges facing corporate travel buyers and suppliers:

- Selecting and Implementing Air
- Selecting and Implementing Hotel
- Selecting and Implementing a Travel Management Company
- Travel Policy Development
- Building a Better Booking Tool
- Making the Most of Mobile Opportunities

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2014. *Business Travel News* editors then recruited a group of leading business travel buyers to participate in independent task forces that could identify specific concerns and posit new ideas for moving the practice, the tools and the objectives of business travel management into the future. Think tank sessions held during the *BTN Innovate 2014* Conference served to validate concerns and flesh out innovation concepts.

The Innovate 2014 white papers document the results of these efforts.



# BUILDING A BETTER BOOKING TOOL

**For many years, many business travel buyers have experienced frustration in working with corporate booking tools that have lagged behind consumer booking tools in appearance and functionality and remain in many eyes cumbersome, unattractive and unable to effectively use travelers' preferences and previous activity.**

## **TASK FORCE:** Building a Better Booking Tool

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These buyers, though, have found many points of agreement in their preferred visions of the next generation of booking tools, suggesting specific improvements not only in the tools' overall functionality but also among the many steps of the travel booking process.

Leading the effort to distill and vocalize this business travel buyer demand was a task force that included six travel managers, each of whom uses a different corporate booking tool. Together, they developed a shared vision of what it would take to build a better booking tool.

The task force recommended that developers think in terms of designing not just an advanced travel booking tool but a true "traveler management system" that automates interaction with individual travelers before, during and after the trip, recognizing their flight statuses and previous trips as well as feedback from other travelers, supplier performance data and corporate travel policy restrictions.

Many business travel buyers, especially those doing business multinationally, want a system that is dynamic or reconfigurable. As those buyers generally recognize it is virtually impossible to create one tool that fulfills every possible need—particularly in this environment of rapidly changing technology and data capabilities—they recommend creating systems with platforms capable of adding in new functionality and turning off outdated systems.

Task force members reached a consensus about the desirability of enhancing booking tools' calendar functions with predictive and reactive intelligence, enabling the tools to create door-to-door booking options and full-trip itineraries once travelers input destinations, arrival times and any potential meeting times and locations.

While several previous attempts to create such calendar plug-ins for some calendar platforms have not yet succeeded due to the challenges of seamlessly integrating data, creating a more intelligent profile—a



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difficult challenge—would enable further personalization of traveler preferences. Historical data also can be used to provide predictive recommendations.

Similar to the technological experience offered by online retail giant Amazon.com, the booking tool should know travelers' prior bookings, itineraries and activities and be able to recommend similar such options or those others like them have selected.

Tools that understand individual travelers—knowing where they are based, for example—might determine which specific travel

supplier brands or even status levels to offer them.

Tools that understand where travelers are going also can provide useful information about the destination.

For those attending meetings, such tools could link

travelers to other sites that have such meeting information as the preferred car rental provider or central billed card for ground transportation or whether the hotel's meeting rate is loaded in global distribution systems or is part of a dedicated room block.

At the same time, a traveler management system should address travel buyer concerns about fulfillment that are unseen by travelers, such as making sure that their banks of unused tickets get used first. Today those transactions come with agency fees for making changes. Automating those transactions could eliminate those charges.

The work of the task force provided a framework for two think tank discussions held during the Innovate conference.

What is missing from online booking tools today, according to the task force, is:

- The ability to recognize the users and their footprints and to provide options that work with their travel patterns.
- The ability to provide visibility of those attending meetings.
- The ability to help direct novice travelers to preferred vendors and provide other guidance.

Furthering the task force's vision of a traveler management system, think tank attendees suggested that it should integrate traveler feedback into searches including and beyond air, hotel and car rental and that a better system would make those searches faster. They also said such a system should maximize, but not necessarily exclusively provide, touchless transactions.

## Pre-Trip Functionality

In the planning phase of travel, attendees said they would like the system to ask travelers if they really need to take a particular trip and to provide such alternative suggestions as remote conferencing. They said they would like to have device-to-device sharing of planning information. Think tank participants also suggested that systems could go beyond calendar integration to include email scraping. They said they would like to see new systems provide travelers with a personal scorecard that contains their year-to-date travel expenses versus a budget, and similar functionality for buyers that would automate approval and provide an ongoing

Similar to the technological experience offered by online retail giant Amazon.com, the booking tool should know travelers' prior bookings, itineraries and activities and be able to recommend similar options.

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measure of travel expenses versus company-wide and departmental budgets.

At the top of the list of search capabilities for future tools, think tank participants put providing travelers with predictive and relevant door-to-door recommendations drawn from all available content, including all ground transportation and parking options as well as air, car and hotel inventory. Those recommendations to travelers should come with company and industry benchmarks for specific services.

Buyer attendees' collective booking-tool wish list also included the ability to segment travelers and provide targeted messaging, to provide safety and policy alerts and to restrict booking of a particular flight if too many senior executives try to buy tickets.

Participants said travelers using traveler management systems searching for fares and

rates should have access to peer and social reviews. Buyer participants also said such systems during this stage of the booking process should recognize the availability of

unused tickets for air and rail so that they can be applied where appropriate, as well as to suggest when and where to shift travel to avoid sold-out situations. Additionally, participants discussed the need to streamline search functionality to reduce unnecessary clicks and keystrokes as well as to develop some type of interactive agent—a smarter, travel-specific version of Apple's Siri to expedite the search process.

Think tank members also said new tools should provide buyers with the ability to preference suppliers with which their organizations hold negotiated agreements and to take into consideration loyalty program membership. New tools also could help buyers in the search phase by analyzing which options are being offered and which are being taken.

## The Booking Stage

For the actual booking phase of the process, participants agreed that travelers want tools that are “fun” and “sexy” in how they appear, with streamlined, simple processes that allow booking with only a few clicks. Such tools could employ integrated peer and social reviews, flight performance data, gamification techniques and alerts for missing segments or travel documents, as well as verifying status, seat check, rental car or room type. They also called for traveler management tools that clearly present all rules, restrictions and terms and provide a crisp travel summary.

Participants also envisioned the tools providing quality control procedures, anticipating problematic issues and continuing to look for savings opportunities after booking. They also want booking tools that integrate travel with meetings, with the capability to book room blocks.

## During The Trip

Travelers during the course of the trip need support when flight, hotel and other changes are required, and think tank participants indicated that a traveler management system should be able to provide just that, including

“Fun” and “sexy” looking tools are what travelers want, along with simple processes for booking with only a few clicks.

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relevant alerts and rebooking recommendations that travelers can quickly accept or decline in the case of irregular operations.

Additionally, participants wanted to see more comprehensive pre-trip and during-the-trip messaging, including incorporating beacon technology that can provide travelers with flight status and gate information, safety alerts and relevant, location-based offers involving dining, health and wellness and other options.

Meanwhile, booking tool providers should alert travelers to commonalities with colleagues' itineraries and opportunities to share rides or other experiences and provide travelers with a simple survey to indicate in real time when there are travel supplier service issues, according to participants. Travelers also should be allowed to share through the tool information about experiences on the ground and other concerns and help buyers analyze that feedback.

For buyers, traveler tracking is one of the most critical requirements during the travel experience. Buyers also want new tools that provide confirmation of rebookings and verification that they are within policy. The tools also should capture and integrate any changes into the original passenger name record.

Participants also put high on the list the need for new tools to work on all devices.

## Post-Trip And Reporting

For the reporting phase of the booking process, participants agreed overwhelmingly that booking data should be meshed with

expense and other tools, as well as reports on service quality, savings and safety. Participants also said the systems should flag out-of-policy bookings and reconcile unused tickets at termination.

Topping off the reporting wish list is the integration of booking and expense data which reflects both personal as well as company performance that ideally the traveler and travel manager should receive in real time. Additionally, traveler management systems should provide travelers and travel buyers with compliance and exception reports (referred to by one participant as "shamification").

Think tank participants said the features of their current tools that should be incorporated into the next generation of booking tools include single-sign-on functionality, last-room-availability rate assurance, nonrefundable ticket-exchange capabilities, expense integration, an uncluttered easy-to-use interface and the ability to change an outbound flight without canceling the booking.

The effort by corporate travel buyers and other Innovate attendees to identify current online booking system pain points and to describe visions of a more perfect tool for booking corporate travel produced a remarkable amount of consensus. The common vision that they articulated is of a calendar-initiated, end-to-end solution that is intuitive, predictive and personalized to provide more targeted searches that yield fewer but better choices and which is built on a platform that can support all devices and allow travelers and buyers to plug in and replace suppliers of all travel-related content, technology and services. ■



# MAKING THE MOST OF MOBILE OPPORTUNITIES

**Smartphones, tablets and other mobile devices widely have infiltrated the workplace, travel space and home, but many corporate travel managers, corporations and suppliers continue to struggle to determine the most effective ways to react to and embrace the evolution.**

## **TASK FORCE:** Making The Most Of Mobile Opportunities

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The BTN Group Innovate 2014 Mobile Opportunities Task Force quickly determined that there are far more questions than answers, and not many accepted best practices, in mobile travel management today. This white paper is designed to highlight some of those challenges and questions as well as the first steps that corporate travel professionals might take to explore opportunities mobile devices present.

If forecasts from travel suppliers, mobile technology companies and consulting firms are correct, 2015 could be a pivotal year for the technology as travelers learn how best to use the power of the nearly ubiquitous smartphones and tablets. Buyers and suppliers no longer can wait to develop their mobile game plans.

Plenty of studies point to the exponential growth of mobile. In the spring of 2014, the 9th annual SITA-Air Transport World Passenger IT Trends Survey of 6,277 travelers who represented 76 percent of worldwide passenger traffic found that:

- About 97 percent of passengers carried a phone, laptop or a tablet when they traveled
- About 18 percent of passengers traveled with all three devices
- More than four in five passengers have a smartphone
- About 76 percent of smartphone owners use airline apps

In a 2013 survey of 150 corporate travel and meeting managers conducted by *Business Travel News*, 20 percent of respondents said their companies had a mobile communications strategy for travel while 34 percent said they were developing one.

When it comes to mobile strategy—or more precisely, the lack thereof—the corporate travel industry appears to be in good company. In a recent study of more than 600 companies, the IBM Institute for Business Value found that “less than half of organizations have comprehensive strategies in place that encompass the spectrum of mobile efforts and address the broad



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challenges of implementation. Further, only a handful of mobile strategy leaders have put in place the needed building blocks to take full advantage of new mobile opportunities,” according to the report.

## State Of Mobile

Regarding travel management, “companies are at different levels of adoption on mobile,” task force co-chair Madia Sargent, senior manager of global travel services for Whirlpool Corp., told the Innovate mobile think tank.

organizations even had such a role.

Two participants said their organizations had company-approved app stores, and the travel department had requested approval for preferred supplier apps. Another opted not to request company app store review of her preferred TMC app, as the company culture is one of choice. Sargent warned managers to learn if the company had the capability to push apps to all employees or just selected individuals before venturing down any such road.

Still others remained stymied on where to begin to draft a mobile strategy for their travelers.

## Apps: Enhancing Service Or Circumventing The Program?

An overriding concern of many travel managers is how travel apps might be used to go around the travel program. Could an airline app be used to change a reservation? Would air, hotel and car apps be used to circumvent booking through the preferred online booking system or TMC?

Participants understood how apps could be used to provide key information to ease the travel experience. For example, an app could alert travelers that it was time to leave for the airport due to construction or delays en route, or that the flight was canceled, providing rebooking options along with the alert. On landing, apps also could remind travelers of ground transportation or meal options or simply remind them of policies on such matters.

While such applications might require customization, if not development, no think tank participants and few respondents to a

Air contracts generally require buyers to provide a certain level of market share to their airline partners, but the way these requirements often are measured can add additional burdens on buyers.

That quickly became apparent as two working groups of about 30 travel managers and suppliers talked about their mobile strategy struggles and approaches.

Some participants had started to query travelers about the applications they use on the road, not to vet the apps but to help the travel department identify trends and perhaps leverage supplier data.

Others had begun to poke around their organizations to learn if they had bring-your-own-device policies and the implications of such. Who, if anyone, owned an overall corporate mobile strategy? If there was such an owner, how should the travel department best work with him or her? While a handful of travel managers had reached out to mobile strategy process owners, other business travel managers had yet to determine if their

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recent BTN Group survey expressed any desire to build their own apps for travel. Instead, participants said they rely on their TMCs or online booking tools for such functionality.

Yet, some participants warned colleagues to carefully review such apps to ensure that they offer the features and functions travelers demand, particularly check-in. Without key functions, travelers will continue to look outside at any of thousands of apps offered in app stores or from suppliers.

## Duty Of Care

The ability to alert and communicate with travelers in times of crisis was of most interest for the think tank participants.

While some noted that travelers likely would push back on any global positioning system tracking via phone, others said it was critical that managers seek buy-in for those traveling to risky destinations.

Citing their own duty-of-care responsibilities, some companies are pushing back on travelers who complain about tracking, arguing that the employee has a responsibility to allow the company to know where they are and if they need assistance.

## Challenges In Financial Services

Specific to the financial services sectors, travel managers spoke of security rules that

prohibit employees from sending attachments from tablets or smartphones. Consequently, most business travelers carry two or more devices on the road—one for work-related emails and a second not monitored by corporate authorities. The complexity has made it difficult for managers in this sector to devise or consider deployment of a mobile travel strategy.

## Supplier Take On Mobile

While many suppliers several years ago first launched mobile applications, “only around 40 percent of airlines think mobile services are performing at least ‘as expected,’” according to SITA’s Airline IT Trends Survey of the top 200 passenger carriers worldwide. Mobile investment areas that had exceeded carrier expectations, according to respondents, included such self-service applications as check-in and boarding.

Mobile check-in availability and use have grown, but SITA reported a global average of 4.6 percent of passengers doing so in early 2014; the organization projected that figure by year-end 2014 to rise to 9.3 percent and 15 percent by 2017.

Regardless of adoption today, 81 percent of airlines surveyed said they planned to increase awareness of and add more functionality to their mobile services, and 95 percent planned to improve usability of their mobile apps. For example, the report projects that during the next three years:

- About 96 percent of carriers will offer light status notifications, with more than 90 percent offering check-in and boarding passes



It’s really important that airlines understand their customers well enough to know how they calculate savings,” one buyer said.



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- More than two-thirds of airlines will provide baggage notifications
- Almost three-quarters of airlines will offer recovery options in times of disruptions

Some carriers have announced plans to deliver onboard connectivity and entertainment—some at a cost—via customer devices. The move is likely to result in additional costs for business travelers who opt to connect and a wealth of new data about usage, downloads and preferences for which some travel managers have expressed interest in obtaining reporting.

No matter what their take on who should best provide apps to travelers, travel managers warned that they and other peers have to stay informed about emerging technology and “what that means to travelers and their experiences.”

A company might not like a supplier’s strategy or agree to promote it to travelers, but travel managers must remain diligent to learn the details and implications of changes, warned one think tank participant.

Suppliers said they urgently need travel buyer insights on mobile strategies so they can include wants and needs in new product releases. Data on priorities, policies, what travelers are using or want would all be beneficial, suppliers said.

## Key Findings: Where To Start

- Learn what travelers want or need, perhaps through a survey or focus group of top travelers
- Ask travelers what apps they often use
- Ask suppliers to detail their

mobile strategies

- Volunteer to work with the “best and brightest” of a preferred supplier on solutions that could benefit your travelers
- Ask suppliers for any data elements they can provide about your travelers’ mobile device access to their networks
- Stay informed of mobile app developments and how they could impact your program, the experience of your travelers or your next supplier negotiation ■



# SOURCING AIRLINES:

## FINDING WAYS TO REDUCE THE COMPLEXITY OF AIRLINE AGREEMENTS

**As airline pricing has grown increasingly complex, so, too, have the discount structures in place for corporate travel buyers.**

### TASK FORCE: Sourcing Airlines

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In preparing for the Airline Sourcing think tank for The BTN Group's Innovate 2014 conference in September, a task force of travel buyers concluded that though airline inventory often aligns with internal needs and processes for airlines, it is not user-friendly for corporate clients. In fact, many buyers see it as a “game rigged against corporate clients.”

Air contracts today commonly consist of discount levels across an array of fare types, with the lowest discounts on the lowest class of fares. Over time, available discounts on those lowest fares shrank or even disappeared altogether. At the same time, airlines are controlling inventory to the point that negotiated agreements can be difficult to fulfill, as fare availability becomes more of a moving target.

Why then, the task force concluded, could buyers not have a formula for discount terms based on spend, transactions and overall market share?

### The Process

In its work before the think tank discus-

sions, the task force determined that it wanted to develop potential solutions for air sourcing complexity that would be both realistic to pursue and provide benefits to buyer and supplier alike.

To help do so, the task force developed a list of eight possible goals, four related to the contracting process and four related to data management. These goals included:

- Making ancillary fee and surcharge revenue part of the overall value of the contract
- Tying discounts to price tiers, rather than to booking classes
- Reducing the number of terms in airline contracts
- Automating the loading of contract and proposal terms into bid-analysis tools
- Using relevant benchmarks to gauge a proposal's pricing
- Developing standards for calculating “savings” for comparing proposals
- Prioritizing the improvements in airlines' data reporting to buyers
- Developing a better method for measuring contract performance

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Rather than immediately jumping into developing solutions to reach these goals, think tank participants—which included a mix of buyers, suppliers and consultants—first evaluated each goal. For the first two hours of think tank discussion, the group discussed the motivations buyers and suppliers had to tackle each problem and, from the perspective of each, the criteria that should be used to judge each potential solution. They also prioritized each goal.

Some solutions, this group found, would not be realistic. For example, from a buyer perspective, it seemed feasible to develop a pricing model

Air contracts generally require buyers to provide a certain level of market share to their airline partners, but the way these requirements often are measured can add additional burdens on buyers.

tied to fare, inclusive of ancillary spend, rather than class booked. As an illustration, one such contract could give a discount of 1 percent for fares of \$200, 2 percent for fares of \$300, 4 percent for fares of \$400, and so forth.

While buyers in the think tank showed some enthusiasm for such an agreement, airline representatives in the room quickly shot it down, saying it might simplify things but would never be approved by their revenue management teams.

Building on the findings in these discussions, think tank participants in the second two hours of discussion focused on potential solutions, using the earlier discussions as parameters within which to come up with a solution. In doing so, they were able to determine four areas in which buyers and suppliers can work together to simplify air sourcing.

### 1. Buyer performance against airline contracts should better represent the reality of market conditions.

Air contracts generally require buyers to provide a certain level of market share to their airline partners, but the way these requirements often are measured can add additional burdens on buyers.

One buyer recounted how, on her trip to New York City to attend the conference, she flew on a competitor rather than her preferred carrier because it offered the lowest logical airfare. Based on her discount, however, her carrier should have offered the lowest price. When she called her agency representative, she discovered her preferred carrier would indeed have been the lowest price—had she flown into Westchester County Airport rather than LaGuardia, John F. Kennedy or Newark Liberty airports.

“Sometimes, it’s a matter of what the customer wants versus how the airlines measure,” she said, “and they don’t always sync up.”

As such, airlines and buyers should work together to transform “fair market share” into more of a “natural market share,” one that meets the demand of the typical business traveler. A natural market share, for example, might consider only flights between 9 a.m. through 5 p.m. for companies with travelers who almost never take early-morning or late-night flights. Or, it might consider share on only certain types of aircraft if travelers tend to eschew regional jets.

A natural market share also might weed out those fare buckets that don’t qualify for

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discounts. An agreement, for instance, might not even take into consideration tickets of less than a certain value when determining market share.

Additionally, natural market share would take such ancillary charges as bag fees into consideration, which some buyers already have had success in enacting.

### **2. Savings quantification should be customizable to meet buyers' reporting needs.**

Though airlines provide savings reports to buyers, they often have little use when buyers need to report to their procurement superiors.

One buyer noted that an airline might assign a specific value to gold-level frequent-flyer program memberships—\$1,000, for ex-

ample—based on potential savings on bag fees and other ancillary charges that are waived at that level. The buyer, however, would have a hard time internally justifying

50 gold statuses as representing \$50,000 in savings. Unlike the hoary comic strip gag in which Blondie, carrying a load of shopping bags, brags to Dagwood about how much she saved him by buying items on sale, many buyers get no credit for cost avoidance.

“It’s really important that airlines understand their customers well enough to know how they calculate savings,” one buyer said. “We get a big number for savings, but we can’t drill it down to a granular level to explain it to someone.”

Even when those savings are translated into actual dollars—totals of fees actually waived due to loyalty program memberships, for example—those numbers are not always meaningful to buyers. One buyer said although calculating total change-fee and bag-fee waivers were a meaningful number to report, combining in “savings” from free upgrades was meaningless, as that traveler would have flown for the same price in coach otherwise.

Most buyers agreed that Delta Air Lines is on the right path with its Delta Edge program, which provides travel buyers on-demand reporting via a web portal. However, they also said it does not quite go far enough in terms of customization.

“It only presents what their version of savings is,” one buyer said. “I would love just to see my view. Let me decide what I get credit for, because we use a slightly different methodology.”

An airline representative in the think tank told buyers that developing such customizable reporting was not out of the question, but buyers must clearly and continually articulate the need for it in order to get airlines interested.

“It’s a tall mountain to climb to get resources and the energy put into it,” the airline representative said. “It doesn’t mean they wouldn’t listen, but if it wasn’t part of the plan, you wouldn’t get the resources to take off in a different direction.”

### **3. Buyers and airlines should work on standardization to simplify contracts.**

Airline representatives had a warning for



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buyers concerned about the increasing length and complexity of airline contracts.

“Beware of what you ask for,” one airline representative said. “Simplification may drive down perceived value for the customer.”

Still, buyers and airlines during the think tank rated reducing the complexity of the contracts as a high priority. For the buyers, doing so would make contracts easier to grasp and easier to communicate to travelers and executives, and negotiating them would require less analytics and time and money spent with third-party consultants. For airlines, it would mean a shorter sales cycle to reach a preferred partnership.

So, what can both sides do to reduce complexity without eroding the value of the contract? For one, airlines could come up with an off-the-shelf contract model for buyers who just need the “cheap and easy” way. Buyers who need to drive more value could opt for the more complex version.

Legal teams on both sides, with their own lists of terms and conditions, always will need to be placated, but some buyers said the pure number of terms was not necessarily the biggest problem.

One area in which airlines should particularly concentrate on is finding a way to standardize definitions across their alliance and joint-venture partners, buyers said. Often, some of the ways those partners define regions or groups, for example, are confusing or conflicting, they said.

“Clarifying alliance and joint-venture deals, taking care of those ticketing terms that conflict from one to the other, would be a

big plus,” one buyer said. “The terms should be crisp and clear.”

Buyers, meanwhile, can advance this effort by working on standardizing data fields among preferred carriers and clearly communicate those with their airline partners so they can work to build a sort of collective, standardized template.

### **4. Better reporting will be needed to capitalize on opportunities with ancillary spending.**

Getting a better handle on ancillary charges remains a key opportunity for buyers to drive savings in the air programs, but data complexities remain a prohibitive challenge for many.

Although standardizing the ways airlines report on ancillaries would help, they do provide details that can help buyers determine total trip costs. The bigger burden lies with corporate card providers. From their perspective, improving on ancillary data standardization will require an investment, and card providers will need to hear from buyers that it should be a priority, airline representatives cautioned.

Once buyers and airlines have a better grasp on the data, they will have to determine the best way to handle it in contracts from a process perspective. Besides counting toward marketshare requirements, they could consider getting immediate discounts on ancillary spend, or they could consider retroactive discounts in the form of rebates. Airlines also are exploring corporate negotiated bundles that include a subset of ancillary services, though some buyers are skeptical as to whether these will be beneficial. ■



# SOURCING AND IMPLEMENTING HOTEL CONTRACTS

## **TASK FORCE:** Sourcing and Implementing Hotel Contracts

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For some corporate travel managers, the challenges involved in running a managed hotel program can seem so entrenched as to feel immutable, easily more complicated than the issues they face in their air, car and card programs. Yet participants in the hotel think tank sessions of The BTN Group's Innovate conference resisted the temptation to turn the session into one more chance to gripe. Rather, they concentrated on developing practical, realistic solutions. Given the conference's focus on innovation, they were able in many cases to put aside the methods considered tried-and-true in favor of the new and untested.

Underlying the think tank sessions was the reality that travel managers continue to face a decided seller's market, and several organizations and hoteliers project for 2015 still higher hotel occupancy levels and negotiated corporate rates, on the heels of increases in each of the preceding three years.

With such cumulative increases, many travel managers increasingly are pressured to keep a lid on costs while maintaining the quality of and range of amenities within their hotel offerings.

In the months leading up to the conference, a task force composed largely of travel buyers assessed the largest pain points in hotel program sourcing and management to guide discussions. Once underway, think tank participants cited those issues about which they felt most passionately, includ-

ing the prolonged rate negotiation process, hotel program compliance and the broken rate-loading process.

## Negotiating Blues

For some participants, the annual negotiating process—described by one task force member prior to the event as one that is “broken, cumbersome, lengthy and [that] doesn't work for suppliers or buyers”—begins as early as July; for others, the work begins after Labor Day. The unanimous consensus is that the length of the negotiating process has gotten out of hand, with too many rounds of back-and-forth.

Consultant Maria Chevalier, a think tank facilitator, suggested that hotel sales representatives often run out the clock until the parties reach the point in December when

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corporate rates must be loaded into global distribution systems.

“I feel like I need to start earlier every year,” according to one task force member. “Nobody gives you their best rates in the first or second round. It’s more and more a game of chicken.”

One buyer in the think tank recommended cutting negotiations off after two rounds. “Tell them you want their best and final offer,” she said. Another questioned the accepted wisdom of negotiating with a brand’s

the think tank as a potential option. Despite the growth of electronic tools that facilitate that process, only one buyer present had any experience using it—and then only in a few select international markets where she had a significant number of room nights.

While the buyer recommended the process for its speed and efficiency, the recommendation came with a qualifier: “Sales managers whose bids were eliminated during the auction may call subsequently with a lower offer, but you really have to stand by the results,” she said.

## Finding A Capper

The number of markets included in corporate hotel programs, and the number of preferred hotels in each of those markets, in many cases, have mushroomed. Depending on the size of the organization and its business travel patterns, programs can cover dozens of cities around the world and include hundreds of preferred hotels (and negotiated rates).

Consequently, some travel managers have begun to rethink the “bigger is better” approach, at least as far as their preferred hotel directories are concerned. “We’ll allow travelers to book nonpreferred hotels in certain markets, though we insist they still book through our channel and providing the room rate is no higher than a cap we set for each city,” said one buyer.

“Set a minimum room-night threshold before going through the trouble to negotiate a rate in a city,” advised a second buyer. Consultant Karoline Mayr, a think tank facilitator, agreed. Such an approach in cities

“ “ I feel like I need to start earlier every year,” one task force member said. “Nobody gives you their best rates in the first or second round. It’s more and more a game of chicken.”

national sales manager. Given that the final approval of a negotiated corporate rate deal typically lies with the property owner, the buyer recommended bypassing the sales manager

and “going right to the decision-maker:” the hotel ownership group or the hotel’s management company. This echoed the concern of another task force member who said national account managers are becoming less empowered to negotiate.

Similarly, when Chevalier surveyed think tank buyers as to whether they negotiate chain-wide deals or work with individual hotels, most indicated the latter. “First of all, there’s so much variation market by market, plus the chain will have to go to the hotel eventually for a sign-off, so why waste the time?” said one buyer.

Reverse auctions, a process in which hotels bid for corporate business, was raised during

# SOURCING AND IMPLEMENTING HOTEL CONTRACTS

where the company doesn't have that many room nights can help travel managers concentrate on securing a better deal at preferred hotels in markets where there's significant room-night demand, she noted.

Hotels increasingly have pushed dynamic pricing, with corporate rates rising or falling based on demand on a given day instead of a traditional flat rate. As such, there will be times when the hotel's best available rate falls below the negotiated rate, Mayr added.

In that eventuality, think tank buyers strongly

recommended including a provision in preferred hotel agreements that, should the best available rate be lower than the negotiated rate at the time of booking, travelers will be billed the lower rate.

Likewise, think tank buyers were unanimous on negotiating last-room availability: Don't sign off on any deal without it. However, they

acknowledged that in an environment where hotels have numerous room types, standard-room LRA might not be of much value, considering that the supply of standard rooms is limited and likely to sell out first.

That opened the door to discussion of "run of the house" provisions, in which LRA applies to every room type in the hotel except suites, in effect ensuring the negotiated rate

would apply. But hotel sales managers are wary of accepting such a stipulation, except in rare occasions, according to participants.

## Citing Compliance

Egencia vice president of supplier relations Chris Vukelich, a think tank facilitator, noted that traveler compliance in some managed hotel programs runs as low as 60 percent. To boost that percentage, none of the think tank travel managers ventured that it might be time to trade in the managed travel model. Instead, their recommendations centered on ways to improve the existing system—from more aggressively enforcing pre-trip approvals to encouraging more vocal buy-in from senior management and more transparently communicating the broader goals of the travel program.

Time-consuming a process though it may be, one travel manager described calling travelers who had booked outside of policy to explain personally that such behavior was detrimental on two fronts: It weakens the company's ability to negotiate volume discounts and track the traveler's whereabouts, making it difficult at best to reach the person in an emergency. However, no participant indicated that their organization had taken the most extreme step to fighting noncompliance, withholding reimbursement.

## A Loading Question

In December, the rush begins to get newly negotiated rates loaded into the global distribution systems before Jan. 1. Hotels' track record of loading such rates on time and correctly has been inconsistent, to the point that some organizations commonly hire outside

Recommendations centered on ways to improve the existing system—from more aggressively enforcing pre-trip approvals to encouraging more vocal buy-in from senior management and more transparently communicating the broader goals of the travel program.

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firms to conduct periodic rate audits.

One possibility to ameliorate this process is to conclude negotiations early enough in the fall to allow hotels more time to get the job done correctly. One think tank participant has carried this strategy to its logical conclusion, moving cyclical negotiations away from the conventional calendar year. “Our program year now starts April 1,” she said. “Among other advantages, it takes the pressure off rate loading, especially when it gets close to Christmas and New Year’s

Day, when hotel people like to take time off.”

Loading rates correctly is a related but separate challenge, and in some ways more complicated, pointed out Mayr. For example, rates for all of a hotel’s room types could be loaded even

though a negotiated rate is in place for a specific room type. This won’t be apparent to a traveler who is looking to find the best available rate in a particular hotel. There also could be unexpected blackout dates in the system, or the lowest available rate could come with a non-negotiated minimum length-of-stay requirement.

Reflecting their collective frustration around rate loading, think tank participants were unanimous in their hardline recommendation: Inform the errant hotel that if the correct, agreed-upon rates are not in the system,

and all inaccurate rates absent from the system, then the hotel will lose its preferred status the following year.

While benign neglect on the hotel’s part might be a culprit for some rate-loading challenges, participants cited one egregious practice they consider unethical: the loading of what are known as squatter rates by hotels that are not preferred nor, for that matter, may not even have been invited to participate in the RFP process. Their recommendation: demand such hotels remove the rates at once.

Many challenges travel managers face with their hotel programs defy easy solutions, and think tank participants avoided broad-stroke, one-size-fits-all measures as potential solutions. Instead, they suggested a series of modest, incremental steps that still might signal real progress. ■

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# SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

**The complicated task of sourcing travel management services and building effective relationships is not getting any easier. The discipline of travel management is evolving amid changes to organizations' requirements and priorities, and to traveler expectations and attitudes. At the same time, technology advancements behind the scenes and in the palms of end users' hands lead some to question the appropriate role for travel management companies.**

## **TASK FORCE:** Sourcing TMC Services, And Maximizing The Value Of That Relationship

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Alternatives

In this age of self-service, travelers can handle many of the tasks previously required of travel agencies. And in this age of corporate cost savings there's a keen focus on procurement-driven principles. Why, then, spend the time required to source a travel management company when that TMC's services account for only 5 percent of the average corporate client's travel spending?

For many companies, especially larger ones that send travelers to multiple continents, the answer can be simple: The travel management company is meant to be a partner, not a mere transactor of travel bookings. For many organizations, the TMC is a foundational element, cooperating with the travel management department, of course, but also human resources, finance, legal, IT, risk management and many other departments.

For those organizations, key questions relate to selecting a travel management company, constructing an effective contract, managing the cost of change during implementation and building a relationship that has room to grow.

The TMC Sourcing think tank convened during The BTN Group's Innovate 2014 conference in September 2014 provided no magic bullets. Though there was an overriding desire expressed for standardized travel management company pricing, the needs of buyer-side organizations and the capabilities of TMCs are too varied for simple, standard solutions. However, the group of travel management professionals explored several areas of the process and discussed pointers that can help both sides improve contracting and cultivate a long-term, strategic relationship.

## SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

As with any business relationship, the keys are transparency and understanding each other's culture and business objectives.

### Preparation

From the very start of the process, there are a few best (and sensible) practices for buyer organizations:

- Review the existing TMC contract before it expires
- Be sure there's a compelling reason to go out to bid
- Include all stakeholders upfront
- Only move forward if you truly will at least consider replacing the incumbent
- Consider the financial, operational and emotional costs of change
- From the beginning, include all departments that have an interest or role within the managed travel program. Although the specifics around pricing should be discussed much later in the process, involving procurement personnel at the start "adds structure and eliminates a degree of bias," according to one think tank participant.

Perhaps the most crucial task in the entire process for buyers is defining requirements.

(For travel management companies, it is defining deliverables). For buyers, no sourcing project can be successful without a firm grasp of needs and goals, and a clear understanding of the size and scope of their travel programs. Among

many components to consider—24-hour services and global traveler profile management, for example—buyers should determine which core services they are seeking and which can be characterized as non-core. If a global TMC arrangement is to be pursued, that needs to be recognized both internally and among prospective service providers before the bid process begins.

Requests for information can be useful. They should seek simple, straightforward answers about travel management companies' capabilities and technologies, and not necessarily pricing details.

A pre-bidders conference also can help buyers during the vetting process. When doing so, they should include a "mixed bag" of potential bidders, including "mega" travel management companies, large national or regional ones, consortia, online travel agencies that offer corporate services and perhaps a local agency or two. Such an exercise also will help inform bidders of their potential clients' objectives and priorities.

However, it is incumbent upon TMCs to take their own steps to learn about the business on which they may decide to bid. A "client clinic" can provide that better picture showing pain points and opportunities, perhaps in ways that the request for proposals process cannot.

The goal for both buyers and bidders is to complete due diligence early in the process to ensure all relevant stakeholders from each side are on the same page. Doing so will improve the odds of an effective and productive RFP process.

For buyers, no sourcing project can be successful without a firm grasp of needs and goals, and a clear understanding of the size and scope of their travel programs.

# SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

## The RFP

In writing a request for proposals, buyer organizations describing their requirements should be as explicit and thorough as possible. Everything should be defined to eliminate ambiguity. “The more scripted you are in incorporating culture into the RFP and highlighting goals, the stronger response you will drive,” said one participant.

“  
In the RFP, you need to get into excruciating detail, with an established template and little room for variability outside that construct.”

Another added that TMCs “cannot price effectively in this business without having a granular level of understanding. That’s where companies get in trouble trying to do comparisons among agencies. I

have seen rude awakenings during implementation. In the RFP, you need to get into excruciating detail, with an established template and little room for variability outside that construct.”

In answering an RFP, a TMC also should be clear in explaining all potential deliverables. For example:

- Establish the RFP template
- Agent types: define “dedicated,” “designated” and “exclusive”
- Transaction types: define touchless, light touch, agent-assisted, etc.
- In what ways will air transactions differ from hotel-only transactions?
- Exactly where do voids, exchanges and refunds fit?
- What is meant by “hard cash” (perhaps in relation to a signing bonus)?

Oftentimes it is offered as a coupon for additional products and services.

- How will the account management team be structured?
- What is the level of quality of the call center and where is it located?

The TMC also should list every value-add they may want to offer so that each can be discussed and negotiated up front.

## PRICING

The most common type of pricing model is a blended transaction fee, which can be differentiated within the service spectrum, from online touchless through to complex, agent-assisted. (Some buy-side corporations focus on the agency cost per ticket, which can include several transactions.) Clearly defined transaction fees also can help corporations internally sell their travel programs, especially as those programs are globalized.

Other models are management fees (based on annual costs) and subscription pricing, an idea being explored by some in which clients pay by the traveler, by the profile or by the complete trip. The latter may be seen as an innovative approach to managing in a new reality that includes traveler empowerment, proliferating self-service tools and the “open booking” philosophy in vogue in some circles.

When negotiating a fee structure, precise definitions are a must and there are many variables to consider, including those noted above. Here are a few more:

- Is account management included?
- Are commissions retained or returned?

## SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

### ■ Which party keeps GDS income and overrides from other suppliers?

TMCs also may be challenged to propose prices when the prospective client states a desire for a global or multinational program but ultimately chooses a multi-source approach using different providers in different countries or regions. In such cases, TMCs may opt to propose two sets of pricing. Buyers, however, should evaluate local-market services based on capability and overall value, and not strictly price.

Given these and many other factors, along with differing client volumes and requested levels of service, an “average” transaction fee in the industry from which to benchmark is nonexistent.

And it is for those reasons that standardized TMC pricing is an ideal that hasn’t been realized and may in fact be out of reach. Yet, the consensus among think tank participants was that standards would be hugely beneficial for both buyers and TMCs. All participants agreed that it’s a worthy pursuit, even if there was little optimism.

Standardizing terms so that industry constituents at least can speak a common language, however, appears easier to accomplish.

Standardizing terms so that industry constituents at least can speak a common language, however, appears easier to accomplish.

### A FEW WORDS ON TECHNOLOGY

Technology increasingly is a major consideration for managed travel programs, but

deciding which suppliers to use is a tricky task. Plenty of third parties sell their wares directly to buy-side organizations and most travelers carry some of their own technology, capable of handling an ever-growing number of travel-related functions.

TMCs, too, offer technology. Sometimes they build it, and sometimes they buy or resell it. Because most TMCs white-label at least some technology furnished by third parties, a key consideration for buyers is how well those TMCs integrate it with other systems and tweak the offering to make it unique and valuable.

### Selecting And Contracting

In any sourcing project, choosing a TMC should be based on the merits. Buyers should carefully guard against any brand bias, avoid decisions based solely on in-person presentations (which should neither be centered on glitz nor obviously generic) and use scorecards to evaluate every aspect of a TMC’s proposition. One recommended practice discussed during the think tank is for buyers to use different teams for scoring RFP responses and reviewing financial components.

### SLAS AND KPIS

In many travel management contracts, service-level agreements and key performance indicators play an integral role. service-level agreements should not be employed, however, if the client is not serious about making them easy to understand and measure, monitoring them and following through if the client and travel management company decide to set potential

SLAs should not be employed if the client is not serious about making them easy to understand and measure, monitor and follow through on.

## SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

penalties or offer rewards.

These days, service-level agreements are less focused on such telephonic metrics as how quickly calls are answered, though that still matters, and there still are plenty of quantitative measurements in place (online booking tool uptime and data quality and timeliness, for example). Some are a bit more abstract and aimed at the bigger picture.

“They are less operational and more aligned with our business objectives,” according to one buyer participating in the think tank. “What’s important to me is that you are running my business as efficiently as possible.”

That can mean TMCs may be evaluated on cost savings and other types of initiatives they bring to the table, responsiveness of account management, building processes that enable touchless online bookings and, at the beginning of the relationship, safeguards against implementation failures.

Whether covered by an SLA or simply deemed a minimum service expectation, increasingly of interest is how

quickly travel management companies communicate and proactively respond to wide-scale travel disruptions. “A lot of agencies have started to push a lot of responsibility to the traveler and/or arranger because of the tools that are available, and the information that is available,” said one participant. “But proactively tell me about arrival and departure taxes, or when my CEO’s flight was

anceled rather than just expecting his admin to know that and call you.”

### Lessons And Considerations

To avoid pitfalls, there are several steps buyers and TMCs can take to ensure a mutually beneficial relationship. For example, in terms of price negotiations, both sides should strive to:

- **Stick with whatever has been calculated and agreed upon.** “If you keep on changing how you define these terms, people in your company won’t buy what you are saying,” according to one buyer participant. “You need consistency to make comparisons and hopefully to speculate what will happen in the future.”
- **Specify how fee structures will change based on volume fluctuations.** “Don’t allow blind renegotiation clauses,” cautioned one participant. “If pricing can be raised every year, you don’t have a three-year agreement, you have a one-year agreement.”
- **Avoid “nickel-and-diming.”**

Beyond pricing, there are other lessons that can help lead to successful arrangements. For example, a myopic view on transaction fees means missing the big picture. Higher prices can and should mean better or more services. Think tank participants noted that price-only decisions have led to failures in the past because of buyers who never asked the right questions and travel management company executives who never could be certain of exactly which deliverables ultimately would meet client needs. Buyer organizations also should ensure that all de-

“Don’t allow blind renegotiation clauses,” cautioned one participant. “If pricing can be raised every year, you don’t have a three-year agreement, you have a one-year agreement.”

## SOURCING TMC SERVICES, AND MAXIMIZING THE VALUE OF THAT RELATIONSHIP

cisions throughout the sourcing process and the resultant contracts are able to withstand audits in the years ahead.

### CREATING A PARTNERSHIP

Above all, if a TMC is to be a cornerstone of an organization's travel management program, a true partnership is necessary.

A TMC should:

- accept client preferences and adapt to client culture
- study client programs and determine where and how to optimize
- know the company's long-term objectives

home," according to one participant.

Moving forward, TMC relationships must evolve as the market evolves. That may mean finding ways to service travelers who have booked through other channels. It certainly means optimizing technology and it also should mean customizing programs.

"The TMC is a strategic partner; they are part of you," said one participant. "If you embrace them that way, they'll embrace your company." ■

“

When [travelers] are stuck on the other side of the world, they want that person on the other end of the phone to know who they are, and really care whether or not they get home.”

In striving to be a manager of travel rather than a mere transactor, TMCs should help with RFPs for other travel supplier categories, suggest how clients should tweak programs and policies, provide

consultation and be proactive.

Importantly, because managing travel means managing travelers, it is incumbent upon both the TMC and the client's travel management team to provide employees with a sense of security.

“When they are stuck on the other side of the world, they want that person on the other end of the phone to know who they are, and really care whether or not they get



# POLICY DEVELOPMENT & DEPLOYMENT

**Throughout the entire history of managed business travel programs, adapting travel policies to meet the latest evolutions of the travel industry has been a perpetual challenge, but an important one. Be they technological breakthroughs, macroeconomic swings, changes in distribution or supplier consolidation, or changes in the makeup of traveler bases, there have always been forces that require travel managers to examine their policies to ensure that they still effectively govern not only the goals of the travel program, but the goals of the overall organization.**

## **TASK FORCE:** Policy Development & Deployment

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As evidenced by the many variations of effective travel policies currently deployed by organizations the world over, however, specific policy planks or language that can be considered universal solutions are few and far between. The goals of an organization's travel policy, its company culture, the industry the organization serves and the demographics of its employee population, among many other factors, all will play a role in the efficacy of a policy. What one organization effectively mandates through policy might be a disaster in another. Companies that place a higher premium on holding travel costs down, for example, might want to consider strict controls on travelers' ability to choose anything but lower-cost suppliers and their ability to book airline tickets inside short-term windows. Those companies that place more value on ensuring travel duty of

care might design different policy language that centers more on traveler safety, while those that see a company's travel policy as a potential differentiator in attracting or retaining talent might opt for a more permissive policy that perhaps allows for more comfortable travel, like that in premium class, more traveler choices when booking or a broader range of reimbursable expenses.

As such, the Innovate policy development and deployment think tank sessions focused less on attempting to devise universal travel policy solutions and more on finding practical methods to manage some of today's policy challenges, regarding not only conceptually broad aspects of policy construction but also specific circumstances about language governing new technologies.

# POLICY DEVELOPMENT & DEPLOYMENT

As could be expected, blanket agreement was atypical and disagreements frequent. It should not be construed that the topics covered in this white paper met with the unanimous approval of the think tank session attendees. They should be taken as suggested avenues to pursue when seeking policy solutions, adding into consideration an organization's specific goals, challenges and culture.

## Is Less More?

Extremely detailed policy language has the advantage of letting travelers know exactly which behaviors are forbidden and the specific actions they may take under specific circumstances. For organizations that prefer a

tightly controlled travel program, specific language that directs travelers' actions may be attractive. However, such an approach

also can lead to situations in which travelers perceive that, given that specific actions are prohibited by policy, any other action is inherently allowed.

As such, some participants in the think tank advocated a **'less is more'** approach to policy construction, in which policies are not only kept fairly simple and short but also intentionally kept as vague as possible, particularly when it comes to the use of new travel technologies or the reimbursement of new ancillary fees. In this concept, if a new technology or fee is permitted is not specifically enumerated, a percentage of travelers still will be unlikely to use it or pay for it, and those who do will be less likely to balk if policy changes to deny use of the product or fee. While other think tank

participants considered this approach simply kicking an inevitable decision down the road, others considered it an opportunity to enable the organization to avoid at least some of the pushback generated by immediately banning a new technology or declaring that a fee would not be reimbursed.

Some categories of ancillary airline spending, including premium economy seating, and new platforms like Airbnb and Uber might fall into this category. The latter supplier in particular drew significant interest from think tank participants, and most indicated their organizations were in the midst of assessing Uber's operations before deciding whether to approve and reimburse for its use.

## Carrots And Sticks

The think tank also considered the wisdom of **incentivizing** travelers to comply to policy as opposed to penalizing them for noncompliance, an approach some participants felt is a necessity given the increasing population of younger generations, typically comfortable with new technology and viewed by some as hostile to restrictive corporate policies in the workforce. (It should be noted that statistical evidence doesn't necessarily support the hypothesis that Millennials are inherently less compliant to policy, but some participants' experience has persuaded them that this is nevertheless the case.)

One policy task force member, Steven Mandelbaum of The Advisory Board Co., detailed a loyalty platform that he and his team developed in-house. That program rewards compliant travelers with points that can be redeemed for gift cards, merchandise, charitable donations or the ability to break travel

In a 'less is more' approach, policies are kept fairly simple and as vague as possible.



# POLICY DEVELOPMENT & DEPLOYMENT

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policy on particular future trips. In this program, most policy-compliant travel bookings come with a point-accrual opportunity.

Another think tank participant detailed her experience with offering travelers cash rewards for choosing coach class instead of business class for transatlantic travel. Although it should be noted that those rewards are taxable, she found that as frequently as in 30 percent of the opportunities, travelers would choose to take the cash and fly coach instead of business class on those flights.

Arguably the flip side of that approach, some think tank participants have found success bettering compliance through the implementation of a **pre-trip approval or notification system**, not only through the actual catching of noncompliant bookings but also by deterring would-be noncompliant travelers from violating policy in the first place.

At least among the participants of this think tank, there was basically no appetite for any so-called open-booking philosophy, in which travelers are allowed to book travel with the suppliers of their choice through the booking channel of their choice, an approach some companies have pursued.

## Policy Innovation And Employee Retention

Participants discussed travel policy's role in employee happiness and retention, and possibilities for policies to better promote traveler comfort. One area think tank participants explored was the possible improvement of the concept of policy around **meal expenses**. Whether policy specifies individual allowances

for daily breakfast, lunch and dinner or simply requires that such expenditures must be reasonable, there was some support among participants around the possibility of a single flat amount per trip for meals and incidentals, as opposed to a per-meal allowance. This would permit a traveler who does not want to spend \$50 on dinner, for example, to use some of the remainder on another expense that could promote their health and well-being, such as a session at a fitness club. This would not be the most cost-effective option, depending on the actual policy, but it is something some participants believe is worth exploring more deeply in the future as a way to better frequent travelers' experiences on the road.

Think tank participants discussed other policy challenges as well; to give one example, attendees suggested a policy of limiting the amount of **personal days** a traveler could apply on a business trip as a method of fighting leisure travel disguised as business travel. Other avenues deemed worthy of further exploration include the question of whether senior executives should follow the same travel policies as do rank-and-file employees, and decisions about whether the permissible use (or prohibition) of specific mobile travel apps should be noted in policy.

Developing an enforceable, effective travel policy that meets an organization's overall goals, and measuring the progress therein, is a process fraught with challenges but also one with countless potential solutions. The think tank sessions could only scratch the surface of identifying and developing them, but the collaboration and sharing of policies and the philosophies around them offered all participants new perspectives in meeting the challenges and offering a path forward. ■

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