BUYING LIKE IT'S 1995: ADVANCING MANAGED TRAVEL

Buying Managed Travel:

Tired Or In Dire Need of 'Reset'?

Is managed travel broken? Or is it just in need of a major reset, similar to what occurred in 1995 as the drastic reduction and gradual elimination of airline commissions[1] prompted evaluation of every service, process and cost? Identifying a litany of pain points and inefficiencies in managed travel today, the majority of 265 travel professional respondents to an online survey conducted this spring by The BTN Group and ALTOUR appear to be calling for that "reset."

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From better distribution options to more transparent economics, lower overall costs to more bundled pricing options that eliminate the constant "dinging" of airline pricing, travel decision makers identified improvements they would like to see in managed travel.

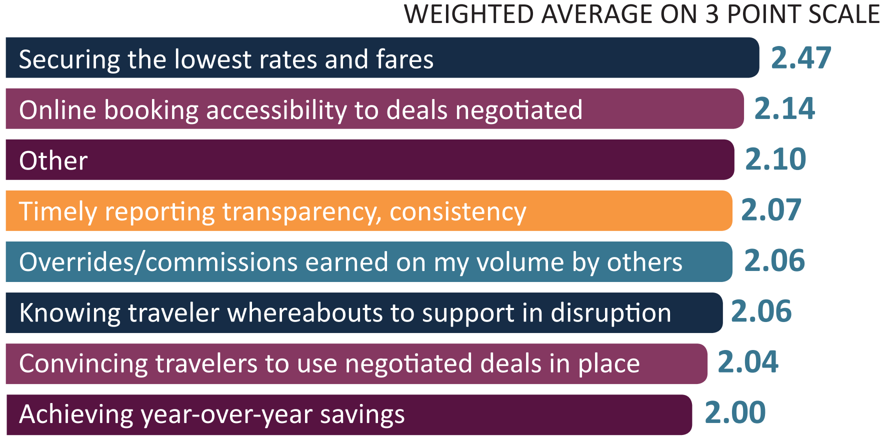
Process improvements on the wish lists included easier search options, pricing comparisons, online booking tools and rebooking. Survey respondents also asked for more transparency of overall pricing as well as commissions and overrides. They also demanded enhanced technology interfaces to make it easier for travelers to book and alter travel plans, including on mobile devices; more sophisticated search algorithms to find lower fares and be advised when lower fares change after booking; and data reporting.

> "Online booking accessibility to the deals negotiated" was identified as the second biggest challenge followed by "reporting transparency and consistency in a timely fashion," and "overrides and commissions earned by travel partners from my volume."

This white paper, produced by The BTN Group and sponsored by ALTOUR, explores the dynamics of the managed travel industry today, specifically the inefficiencies and areas in most need of improvements as identified in the survey. Among all respondents, 150 or 57 percent identified themselves as travel managers, buyers or decision makers with 2014 U.S. booked air spend ranging from $60 million or more (11 percent) to less than $1 million (26 percent). The remaining 115 respondents or 43 percent identified themselves as suppliers. Within that group, 30 percent were travel management company representatives, 24 percent consultants and the rest from other managed travel supplier segments. See Methodology, Page 6, for more detail on respondents.

MANAGED TRAVEL PROCUREMENT PAIN POINTS

WEIGHTED AVERAGE ON 3 POINT SCALE



Source: The BTN Group / ALTOUR Buying Inefficiencies Survey of 150 managed travel buyers, managers or decision makers conducted March 27-April 2, 2015

INEFFICIENCIES OF MOST CONCERN

	WEIGHTED AVERAGE
Data reporting processes	3.60
Airline ancillary products	3.42
Hotel RFPs, preferred supplier contracts	3.34
Online booking systems	3.33
Travel distribution practices	3.20
Hotel ancillary products, upgrades	3.08
Airline alliance agreements	3.00
Airline override, marketshare tracking/process	2.94

Source: The BTN Group / ALTOUR Buying Inefficiencies Survey of 150 managed travel buyers, managers or decision makers conducted March 27-April 2, 2015

> Frustrations with data reporting and ancillary fees were so significant that we will address them in a separate white paper in September.

Finding The Elusive Lowest Cost

Best illustrating the range of frustrations that travel professionals have with the state of the practice today, more than 65 percent of respondents identified "securing the lowest rates and fares" as their top pain. Despite all the negotiating and contracting with preferred suppliers and travel management companies, buyers obviously still struggle with minimizing their costs.

Some complained of the inability of online booking tools to find lowest logical fares and called for more sophisticated tools. Others asked for notifications of fare changes post-booking, to ensure the integrity of the managed travel program. Dozens of respondents cited the ancillary fees, the constant barrage of airline add-ons for seats, baggage, changes and cancellations.

Most Costly Inefficiencies

Frustrations with data reporting and management and airline ancillary fees were so significant that we plan to address them in a separate white paper to be released in September. As for other frustrations, respondents identified the current hotel buying process, the requests for proposals and preferred supplier contracts, and online booking systems as inefficient processes of concern due to the cost to their organizations.

Analyzing Services Needed

Much like the corporate and travel agency soul searching that occurred in 1995 as corporations carefully evaluated what, if anything, they were willing to pay

TRAVEL BUYING, CIRCA 1995

Led by Delta Air Lines, U.S. airlines in early 1995 capped and gradually eliminated the base airline commissions paid to travel agencies, which most used to pay rebates to corporate accounts. For the majority of corporations, three-quarters according to Business Travel News surveys in 1995, agency relationships in a matter of months shifted from commission rebates to fee-based pricing. Consequently, corporations, many for the first time, considered individual services they would pay for as part of new unbundled agency contracts. Technology options flooded the market in coming years, first as software and then Internet-based, as a means to lower the cost of booking travel.

"It's a whole new environment in 1996," said Ron DiLeo, then Rosenbluth International executive director. "Since the commission cap, corporate customers own a piece of the profit and loss on their accounts, and their senior management is looking closely at what everything costs and what value it offers. The changes in the industry are forcing us all to negotiate on new and different ground."

At the time, U.S. carriers said they expected to keep $400 million to $500 million annually previously paid in commissions. Corporations planned for increased agency costs but the savvy also honed negotiating skills in new net-net-net airline contracts, net of commissions, overrides and credit card fees. For some of the largest corporate buyers, the caps resulted in millions of dollars less in rebates as the economics of distribution and travel management continued to evolve.

for each ala carte-priced agency service, most respondents today said they recently evaluated the services that corporations and travelers really needed from travel management companies, as well as all other key travel management suppliers.

More than 65 percent of travel manager/buyer respondents this spring said they had evaluated services from hotels and airlines within the last six months, while 47 percent said they had evaluated car rental services and more than 35 percent had analyzed both travel management company and online booking services.

Within the past year, more than half of all travel manager/buyer respondents said they had evaluated the services they needed from hotels, airline, car rental, online booking and TMC providers while 49 percent had evaluated ground transport within the year.

But 22 percent of respondents said they had "never" evaluated ground transport, while nearly 16 percent said they had "never" analyzed TMC services.

FLASH FROM PAST: CORPORATE CAP ACTIONS

What systems are you installing due to the commission cap?

	JUNE 1995	FEBRUARY 1996
Automated travel booking system	20%	39%
Automated T&E system	14%	36%
Internal database of travel information	13%	33%
Internal database of meetings information	7%	32%
Internet booking via requests to agency	5%	13%
Internet bookings via requests to vendors	4%	9%

Source: *Business Travel News* travel manager poll of 204 travel buyers, published March 4, 1996

The Role Of Process Mapping

Despite the concerns about inefficiencies, only one-third of travel buyers surveyed said they completed process mapping exercises aimed at improving booking and service deliverables with airline, car rental, corporate payment and data management providers in the past 24 months.

Nearly 44 percent of buyers surveyed said they had worked with their travel management companies on such endeavors and an additional 17 percent of buyers said they planned to do so this year. While only 28 percent of buyers said they had completed process mapping with online booking providers, 21 percent identified that task as a 'to do' item in 2015.

The travel management category least likely to undergo process mapping, according to 70 percent of buyers was limo/ground transportation. About 20 percent of buyer respondents said they had completed such work and 10 percent expected to this year, but the vast majority said they had not done so.

Suppliers also were asked this question in the survey and 40 percent or more said they had engaged in process mapping with various segments, led by data management firms and airlines (both 43 percent) and TMCs, online booking providers, safety/security (each 40 percent) and car rental firms (39 percent).

SUPPLIER SEGMENTS CORPORATIONS HAVE PROCESS MAPPED WITHIN LAST 24 MONTHS

	YES	NO	NO, BUT PLAN TO IN 2015
Airlines	**33%**	**57%**	**10%**
Car rental	**34%**	**57%**	**9%**
Corporate payment	**34%**	**54%**	**12%**
Limo/ground transportation	**20%**	**70%**	**10%**
Travel Management Company	**44%**	**40%**	**16%**
Online booking	**27%**	**52%**	**21%**
Safety/security	**31%**	**56%**	**13%**
Data management	**32%**	**55%**	**13%**

Source: The BTN Group / ALTOUR Buying Inefficiencies Survey of 150 managed travel managers/buyers conducted March 27-April 2, 2015

LESSONS LEARNED

What did they learn from such evaluations? "That it makes sense to evaluate on a regular basis," said one respondent. While a few respondents complained that the exercises didn't reveal much variance in pricing and service differentiation, others noted that "regular industry changes" forced regular reviews and learnings.

NOTES

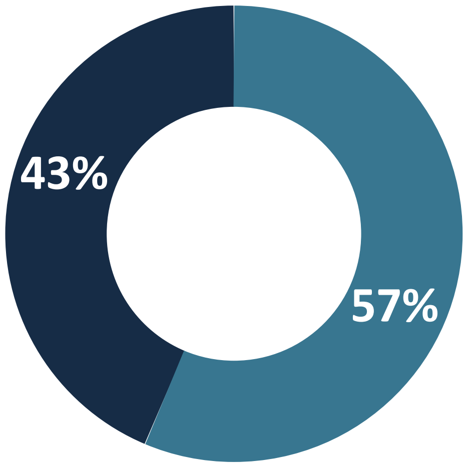
[1] Delta Air Lines in February 1995 capped the 10 percent domestic airline commissions at $50 for a roundtrip and $25 for one-way ticket. All other major carriers quickly matched the cuts. Airline commissions were further reduced in 1999 and eliminated by 2002.

METHODOLOGY

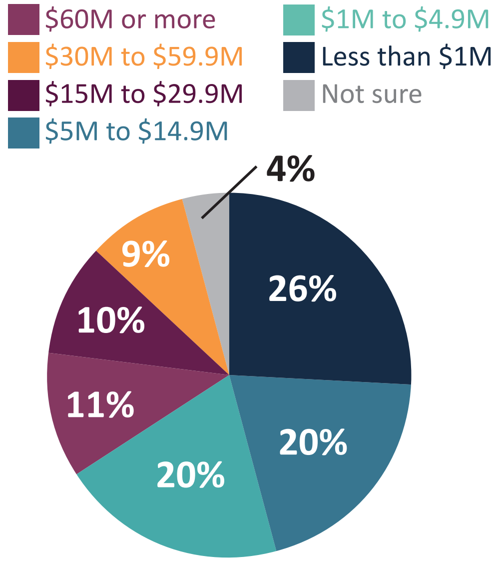
RESULTS ARE BASED ON 265 RESPONSES COLLECTED MARCH 27-APRIL 2 TO AN ONLINE SURVEY FIELDED BY THE BTN GROUP.

TOTAL RESPONDENTS

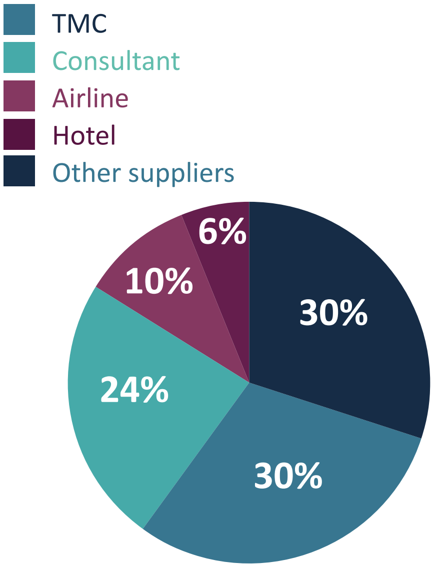
Corporate Travel Buyers	**150**
Suppliers	**115**



BUYER U.S.-BOOKED AIR SPEND



SUPPLIER RESPONDENTS



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