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for the advancement of business travel

IN THIS PAPER:

Taking on Total Cost of Ownership

INNOVATE 2017

The BTN Group's Innovate 2017 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about four of the big gest challenges facing corporate travel buyers and suppliers:

- **Building a Better Hotel Procurement Process**
- **Taking On Total Cost of Ownership**
- **Defining & Enforcing Lowest Logical Policies**
- **Evolving the Role of the Travel Management Company**

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2017. BTN Group editors recruited a group of leading business travel professionals 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 Innovate 2017 Conference served to validate concerns and flesh out concepts.

INNOVATE 2018 SAVE THE DATE!

5th Annual Innovate Conference

October 29-30, 2018

The New York Hilton Midtown

TAKING ON TOTAL COST OF OWNERSHIP

What does TCO mean in the context of travel management and how can program managers start to get a handle on it? The answer, unsurprisingly: data, data, data. **By Amanda Metcalf**

There are plenty of altruistic reasons for travel managers to seek a true view of the total cost of ownership of their travel management programs. Reducing the company's bottom line, helping division leaders manage their P&Ls, assisting HR. The reason that really reigns supreme however, is self serving.

"Data is how we're judged at the end of the day," said one travel manager who attended the total cost of ownership think tank at BTN's 2017 Innovate conference. Thus, corralling the best data possible from all feasible sources seems to be travel managers' main mission nowadays. Organizing and exploring and understanding it is another goal.

But travel managers should take a little of the pressure off themselves, said one consultant in the room. She made the case that travel managers needn't wait until they have every piece of data available in the world to apply TCO. Rather, gather what you have and effect what change you can based off that. A tech supplier noted that travel, as an indirect category of spend, is so much more complex than many other industries. "Perhaps this is the case for just looking at the data you do have," he said. "What gets measured gets managed. Regardless of whether you've got good metrics or bad metrics, measure something because then you establish a baseline, even if it's not perfect or exact, so you answer the question: What's going on."

So what data do you have that can you measure?

TOTAL COST OF OWNERSHIP COMPONENTS

Think of the following factors, a starter list of TCO factors—not as necessary ingredients to gather entirely before making travel management decisions. Rather, look at each item as something to which you could apply a TCO philosophy—identify costs and then evaluate potential changes/uses, whether you want to reduce costs or just tweak your travel policy. What data do you have? What does it do? What can you control? What can you do with all that information?

TRIP COSTS

- Airfare
- Hotel rate & fees (plus breakfast & Wi-Fi?)
- Hotel cancellation fees
- Car rental
- Mileage
- Car services
- Parking
- Meals
- Tips

PROGRAM MANAGEMENT COSTS

- Travel management company fees
- Credit card fees
- Technology supplier fees
- Cost-mitigation service fees (Yapta, Fairfly, Tripbam)
- Consultant fees
- Online booking tool fees
- Visa, passport, Precheck & Global Entry
- Gamification incentives
- Insurance
- Duty of care
- Cost of change for new suppliers, including training & potential loss of data
- Salary/headcount

SOFT COSTS

- Time travelers spend researching travel options
- Time travelers spend on expenses
- Delays & disruptions
- Traveler productivity
- Time away from home
- Environmental impact

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SAMPLE USE CASE: APPLYING THE TOTAL COST OF OWNERSHIP PHILOSOPHY

You spend a good amount of time negotiating free breakfast into your hotel contracts. Is it worth it? Consider:

- The amount of travelers who are not taking advantage are expensing for breakfast
- The savings you'd get if all travelers took advantage
- The time you spend negotiating
- The time & resources you'd spend educating more travelers to take advantage
- The traveler friction of mandating or encouraging travelers to comply

The last three are not trip costs but rather soft costs. However, they do play a part in your equation. Don't forget your travelers' profiles, either. One travel manager noted that the savings—from negotiating breakfast with her corporate hotel rates and mandating or educating travelers to take advantage—would not add up to much. However, she then considered the travelers in her program who travel from the Asia/Pacific region. Travelers from that part of the world expect breakfast to be part of the hotel package; therefore, neglecting to negotiate breakfast would create friction for those travelers. She determined that continuing to negotiate breakfast with her hotel rates is worthwhile, even if all travelers don't take advantage.

Is it worth it for your program? Your call.

THE ULTIMATE TCO APPLICATION: DATA AGGREGATION TOOLS

Many travel managers indicated they already use a TCO approach to determine whether to source new technologies. Will the cost savings or cost avoidance justify the cost of the product or service? Data aggregation and visualization tools prove an interesting study, considering the interest travel managers have shown in such tools. Look no farther than the fact that DVI won the People's Choice award at the BTN Group's Innovate conference in fall 2017. PredictX, formerly Pi, is another on people's tongues.

Such tools present a chicken-or-the-egg conundrum, however. How do you apply TCO to determine whether to procure a tool that's supposed to help you identify TCO? The answer again requires you to think smaller. What are your company's goals, and what departments do you want to help? A chief procurement officer might appreciate the increase in spend visibility, considering that increases your ability to negotiate with suppliers like hotels and airlines, which thus increases the opportunity for savings. A CFO, though, might value the opportunity to analyze budgets—checking out how much each business unit spends on parking, for example. HR, meanwhile, might want to measure internal traveler survey responses against something like flight disruptions.

There's another hot topic in the corporate managed travel industry, though, that's getting in the way: data security. Data Release Authorizations and other permissions by which companies allow their suppliers to share the companies' data with third parties is enormously laborious. Put simply by one travel manager, "The time to implement is big."

A data aggregation company exec agreed, rattling off a short list of the data security regulations and agencies with which his company has had to become expert at dealing: General Data Protection Regulation, Privacy Shield, the International Organization for Standardization, the Payment Card Industry Data Security Standard. His company recently helped a client navigate an audit process that included 445 questions.

To avoid the headache, one travel manager said it almost seems easier to procure a DIY business intelligence tool like Tableau, one that doesn't aggregate data sources, and then just build the data platform internally. Another technology supplier sympathized: "With those security aspects that big corporations have, it's not going to get easier. That's making it so difficult for all of you to innovate and to try new stuff." He acknowledged the temptation of the DIY route, despite the skill and data management that path would involve. To clear the DRA hurdle, he posited, "why are you going to invest your IT resources? The easiest thing then is to do nothing. That's what's happening!"

The fix, it seems, comes at the beginning, when a travel program starts a relationship with a new supplier. "You own the data and your suppliers are stewards of it," the data aggregation exec said. "You should demand that of them. You should put that in your contracts and make it clear that if you're writing the checks, you own the data." The other tech supplier agreed. "When you sign on, that's your only shot with that supplier to make sure of that."

GIVING SOFT COSTS THEIR DUE

Based on interest among travel managers at the Innovate conference's TCO think tank, there's real recognition out there that soft costs like employee productivity should factor into TCO. However, soft costs are harder to quantify. The tech supplier noted to the travel managers in the room, "You're caught in a way of working. You're used to negotiating airline fees—and now benefits. The data is giving you insights into how you're spending pennies. Soft costs, those are the dollars." He illustrated his point with this scenario: If you could trim 15 minutes from the trip for a traveler who earns $100 an hour, that's $25. A travel manager responded, "We're chasing the pennies because we can put that on a chart."

So how do you resolve this debate? Again, turn to the stakeholders at the company you're trying to help and see how they measure these soft costs. Want to turn employee productivity into a hard metric? Ask HR how that department measures it. Perhaps HR can provide an average value of a man hour among the company's salesforce. Or perhaps HR can weigh in with what it's willing to spend to save travelers some time in the air or the security department can put a price tag on a traveler tracking tool. "You're always talking to procurement and finance," the tech supplier said. "How many people are talking to HR? How many people are talking to security? If you ask HR how much money and budget they have to hire talent and to keep people happy and how much money they're spending on coffee machines in all those offices and on company culture. There's always budget there."

Another way to quantify certain soft costs is benchmarking. If you'd like to gauge how a mandate to fly coach is affecting the company's bottom line, a raw number may be difficult to pin down. However, start with a general stat from HR: how much money it costs to replace a standard full-time employee. Then benchmark regions or divisions that have that mandate versus those that don't, or benchmark turnover over time as you implement the program. A percentage turnover in a department with a mandate versus another department without a mandate enables you to inform that department head that his or her decision is costing the company money.

A consultant in the room reiterated the importance of working with other departments within the company. "Agency, card, payment, expense, meetings—TCO is really the total lifecycle," she said, "but so many travel managers don't manage all those aspects. … As travel managers, you can say, 'Let me help you save money.'"

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