

# The New Opportunities for Enhanced Data Optimization in Asia Pacific



ASSOCIATION OF  
CORPORATE TRAVEL  
EXECUTIVES



MasterCard  
Worldwide

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## Introduction

As multinationals expand their operations in Asia Pacific and business travel to the region grows in leaps and bounds, the demand for standardized, consolidated data on their employees' air, hotel, and car hire spend is rising fast. Asia Pacific, where travel management is still evolving, is the new frontier of travel data.

Detailed, comprehensive data—in the case of air it would include flight segments and class of service—allows corporate travel managers (CTMs) to get a better view of their travel spend. It gives them oversight of their costs and allows them to identify waste and redundancy, such as two travelers renting separate cars to go to the same meeting rather than sharing a vehicle. The data enables CTMs to negotiate better deals with preferred carriers, hotel chains and car-rental firms. Most importantly, it enables them to track and monitor compliance—whether travelers are patronizing their preferred suppliers. Good data is also essential to tracking travelers for better management of security.

Multinationals are driving this demand. The quest for good data, however, is spreading to domestic companies and organizations as well, particularly in Australia, New Zealand and Japan, which are the most mature markets in the region (though the Japanese market is a world unto itself, with different practices and priorities, as will be discussed). “The demand for data comes from the multinationals because they are educated by a global partner who heads the office centrally,” said Angela Jones, vice president of commercial payments e-solutions, Asia Pacific, at MasterCard Worldwide, based in Singapore. “They’re telling the regional office, ‘we get this so you should be able to do it too.’” But the need locally is no less important. “In Australia and New Zealand, the data is key, even for local businesses,” said Jones. “A lot of this is driven by universities and the government, which are big users of cards for business services.”

Suppliers, from card associations like MasterCard to issuing banks to travel management companies (TMCs) and expense management vendors, are expanding their data options to meet this demand. Companies now have the opportunity to move from paper-based invoices to prepopulated electronic expense reporting, which not only saves travelers the time and hassle of filling out forms manually, but also results in more accurate expense data, as well as saving on paper. The credit card providers also have the capability of providing more detailed data for each transaction, standardizing and consolidating it for analytical reports that enable CTMs to identify leakage of the travel program. Electronic delivery of reports makes the data available on a real-time basis.

TMCs and third-party travel aggregators—firms that collect, standardize and analyze all of a company's data on an outsourced basis—are also providing in-depth analysis of T&E data to their clients in user-friendly formats designed to be actionable. It's not just about getting the data, but also knowing how to utilize the information for savings, be it switching to another carrier, offering more competitive pricing or monitoring your preferred suppliers to make sure they're giving your travelers the negotiated rate.

That being said, there are numerous challenges. Many Asian countries have a culture of personal service that puts a premium on hand-delivered airline tickets and telephone reservations made by personal secretaries. In India, multinationals are installing implants—on-site travel agents—at their facilities, realizing how important high touch is to the country's culture. The region's tradition of personal service has stalled adaptation of

automated systems—on-line booking, e-tickets, and electronic expense reporting—that expedite the collection, standardization and consolidation of travel data for companies.

Furthermore, there is a high degree of fragmentation. Many independently owned hotels aren't in the GDSes. Even major chains may have a variety of property management services among their properties in the region, making it difficult for them to get chain-wide data—much less provide it to their customers.

The region is also characterized by numerous domestic GDSes. China's TravelSky is a closed system that is highly restrictive: all domestic bookings made within the country must be ticketed through the system. The GDS doesn't list hotels, which must be booked by fax or phone (those owned by international chains can be booked through the standard GDSes). In an ironic twist, Japan, one of the most high-tech countries in the world, has its own home-grown GDSes—four to be exact, each owned by a different carrier and characterized by total lack of interoperability with the others.

These challenges are requiring all the parties involved in the travel management process to work together, in order to provide the standard of data sought after by large multinationals. "We see data as critical to delivering further value to our clients, no matter who they are or where they are in the world," said Lesley Mattock, head of global management information at HRG, based in the U.K. "Data consolidation is considered so important by HRG in our ability to help clients manage their programs that we also actively support data hand-off to clients' own choice of third-party data consolidators."

### **An Emerging Travel Market**

Asia Pacific lags far behind the mature travel management markets of the U.S. and Europe, but in terms of rate of economic growth, it is rapidly outpacing the West's. Home to more than half of the world's 6 billion people, the region is incredibly diverse, with more than 20 languages and cultures. The fastest growing economy in the world is China, which is growing at a clip of 11 percent; India is second, at around 8 percent. Many of the other Asian countries aren't far behind.

The frenzied business activity, be it manufacturing, outsourcing of services, or selling to these new consumer markets, is spurring travel to and within the area. According to Ram Badrinathan, senior analyst with PhoCusWright, a travel research firm, based in Bombay, air travel in both India and China is growing in the double digits. In India the growth has been particularly dramatic, with domestic aviation growing by 51 percent in 2006. Nicolas Pierret, director of global accounts, Asia Pacific at Carlson Wagonlit Travel (CWT), based in Singapore, said that CWT has been growing over 30% annually in the past few years as corporate travel develops rapidly in the region

While national carriers still dominate in some markets, low-cost airlines have been sprouting up in others, including India and Australia. Besides driving down fares, the start-up airlines are also triggering the development of on-line booking. Jetstar in Australia and Kingfisher in India are also in the GDSes and have become popular with business travelers. China has invested heavily in its airports, and carriers all over the region now offer a level of service and safety that's on par with the West.

While airline commissions are common, they're being scaled back in most Asian countries. In Australia and New Zealand, all of the carriers have eliminated commissions on domestic travel; Singapore Airlines is also at zero. This is also a trend being driven by the low-cost carriers.

On the travel management side, the large TMCs—CWT, American Express, Flight Centre, HRG Worldwide, and BCD Travel—are consolidating in the region. To serve the needs of their multinational clients, they are developing global networks. Due to government regulations and market conditions, in some countries they are partnering with a local provider. In China, for example, a foreign company is required by law to form a joint venture with a local travel agency. In other countries, the TMC may wholly own its branded locations.

The mega TMCs are working hard to collect data on air, hotel and car rental bookings. Card associations are working closely with the TMCs to match this data to the spend data on the card. This allows a comprehensive, accurate picture of the transaction—who spent what for what—to be pieced together, which is provided to the customer seamlessly.

The breadth and depth of data available still is deficient compared with the West. But the past 18 months have seen much improvement. CTMs are finally beginning to be able to get their arms around their travel spend and, by using the tools provided by the TMC or card provider, slice and dice the data to find out such crucial information as how many and which travelers are using the corporate card and booking preferred suppliers through the TMC. They're starting to gain control over a process that just a few years ago wasn't managed at all.

Suppliers are also providing data to fill in the gaps, although some data—particularly in the hotel sector—is still rudimentary, compared to the U.S. and Europe. Right now, the real breakthrough is happening on the airline side, which at most corporations accounts for the lion's share of T&E.

One key aspect of this trend is user flexibility. There are a variety of ways in which corporate travel departments can obtain the data—from the TMC, the card provider, or a third-party data aggregator, such as TRX, Cornerstone, or Hi Mark Software. For some customers, MasterCard is providing the reconciliation data to the TMC, which in turn is matching the data with its booked information and standardizing it for the customer; the TMCs are also providing analysis and pre-trip approval services based on the data.

For others, MasterCard is partnering with the GDSes and TMCs (to be followed soon by car-rental firms and hotel chains) to obtain point-of-sale data to enrich the information that is provided on the expense report and for travel expense reconciliation. It's also working with the major expense management vendors to ensure their systems are configured to accept the data.

### **New Solutions from Expense Providers**

While American Express has long dominated the region, the card associations and issuing banks have been rapidly expanding in the region, offering CTMs new travel data options.

Traditionally, the planning and booking of travel at the front end and settlement of expense report and corporate card charges at the back end were separate functions. But with the availability of products such as MasterCard's Smart Data On Line, a few corporations are receiving consolidated data in which the booking data is matched to the expense data, resulting in more accuracy and enabling clients to get a more comprehensive view of their travel spend and patterns.

The global, web-based tool provides enhanced data on air spend, including origin and destination, class of service, and number of flight segments. The card association is obtaining the data from the GDSes, which are improving their direct connect availability (direct access to the supplier's inventory) with the carriers. At Abacus, for example, the dominant GDS in many regions of Asia, 12 percent of the 280 suppliers now have direct connect availability.

Within the next couple of months, MasterCard will also begin providing enhanced data on Avis rental cars in Australia and New Zealand. The data will consist of duration of rental, with dates and times; location; kilometers driven; vehicle type; booking reference; and a breakdown of charges, such as fuel, insurance and one-way fees, said Paul Rankin, programming services manager at AB Group, based in Sydney. "We have a very large customer who is driving the whole project," he said. Once in place, the data will be the most comprehensive Avis is providing anywhere.

MasterCard is also partnering with leading TMCs and expense management providers such as Concur and Spendvision to provide comprehensive data to the client in a standardized, electronic format that can be integrated into the company's accounting system. Where it used to take a month to get a report, now that report can be delivered in a day. And the information is more accurate, saving time on the laborious task of

matching data from the travel agency with expense reports and/or data from the supplier.

“The customer can access our reporting tool and retrieve the information, reconcile on-line by travel manager or card holder, and post information to the general ledger,” said Jones. “This is an end-to-end solution.”

Traditionally, when companies tried to match the data from the card to the travel agency booking, the information wouldn't link up. That's because the booking data is far more detailed, but it doesn't indicate if it was paid for. The expense data shows if the traveler actually took the flight and it will reflect the higher cost if, for example, the traveler upgraded on the flight. Also, the card captures data on transactions not booked through the TMC, such as a traveler's on-line booking of a flight on a low-cost carrier. This is a major benefit, especially in Asia Pacific, where compliance to the preferred booking channel is a huge problem.

One stumbling block in the region to more usage of corporate cards is additional transaction detail such as travel itinerary and cost/financial accounting information. MasterCard is working closely with its existing merchant partners as well as adding new ones in the region to build more critical mass, said Seth Friedman, vice president of global corporate commerce development at MasterCard, based in Purchase, N.Y., USA. “We're growing the number of merchants who can support a full travel content program,” he said, adding that the trend is being driven by demand: “Multinational companies are consolidating their business across the mega agencies and other large travel merchants. As they consolidate, global customers have needs in terms of service and information strategy.”

Friedman added that corporations themselves are restructuring their travel procurement functions to manage travel procurement on a more global or regional basis, versus a country-by-country approach. “We see corporations moving their travel processing to regional service centers. Globalization of information is complicated to deliver.”

Singapore's United Overseas Bank (UOB) offers enhanced data to its customers in Singapore, Indonesia, Hong Kong, Malaysia and Thailand via MasterCard's Smart Data OnLine™. This enrichment of data originates from participating corporate travel agents as well as global distribution systems.

“In comparison with the less popular lodge cards which only capture air fares and auxiliary charges, a corporate card can capture more information including other travel and entertainment expenses such as room nights and meals. The corporate card is therefore better able to give a complete picture of overall travel and entertainment spending to both the traveler and the company,” said Ms Gan Ai Im, Head of Cards and Payment Products, United Overseas Bank (UOB).

As UOB has a corporate travel agency, it is well-placed to understand the business travel needs of its corporate cardholders as well as provide a one-stop travel service for them.

In addition to providing card association enhanced data products, a few of the leading issuing banks in the region are introducing their own branded enhanced data products for corporate clients.

Citi's Commercial Cards program (covering both corporate and purchase cards) is available across Asia Pacific and globally. The program is growing rapidly, with plans for an additional 10 new countries in Asia, Europe and Latin America to be launched in 2007-08. China and India are two new countries.

Philip Glickman, director of sales, commercial cards in Asia Pacific, based in Hong Kong, said, "There's been extraordinary demand in Asia. Companies are looking for standardized functionality and an acceptance-based solution that allows them to capture data and insert it into the ERP systems while integrating their local programs with their regional or global ones. In addition, we're seeing local companies moving to the corporate card as a means of replacing the use of personal cards for control and compliance reasons." To facilitate the growth, the bank has an implementation process in place to ensure that the client is provided with a single point of contact to manage overall implementation. This specially trained contact oversees in-country support for program set up; account management and technology back up.

AirPlus International offers centralized travel payment solutions that allow the company to pay for air and train trips as well as rental cars, meals and entertainment, which minimize costs and streamline travel invoicing. In Asia Pacific, its products are offered in 11 countries, including Australia, Singapore, China, Hong Kong, and Japan, according to Victor Cheng, AirPlus' Manager of Global Development, based in Hong Kong.

With an AirPlus company account, which is usually lodged at the travel agency, all the pre-trip data, such as air spend, hotel, and car rental can be captured. Enhanced data is available for air, including routing, traveler's name, class of service and even coupon data. AirPlus also issues a corporate card, enabling corporations to capture other trip data, such as hotel, car rental and meals. An Internet-based solution, AirPlus Information Manager, enables CTMs to analyze the data, which leads to better compliance, a more complete overview of the cost, and faster realization of cost savings.

### **More Solutions from the TMCs**

The large TMCs are also moving aggressively to expand and enhance their data consolidation services to corporate clients.

CWT is rolling out a new database, called GLORY, in Asia Pacific, allowing data consolidation on a daily basis into a single, global repository, according to Pierret. The database is accessible by a brand new web-based interface, the Program Management Center. This PMC makes standardized, global data available to clients anywhere in the world. Next-day availability of the data in GLORY is currently available in Australia, with other markets such as Hong Kong and Singapore available by year-end. The PMC also integrates other type of data for those clients who want it, Pierret said, such as credit card data to be matched with booking data, or pre-trip data for traveler tracking or compliance monitoring purposes

The PMC fulfills a need for more customized reporting, as it enables CTMs to access the data in GLORY and analyze it in numerous ways, such as by hierarchy and region. Clients use dashboards, customized reports and other options to break out the data the way they like. "It's more of a pull than a push," said Pierret, explaining that the big demand of customers is for flexibility. "Every time we push it, there is a good chance it

doesn't come the way you want it. The key is to make on-demand reporting both flexible and user friendly.

"With the sheer multiplicity of countries, GDS and back-office systems in use, it is sometimes complex to pull that data consistently in this region," he added. "Processes relying on front-end data capture can prevent multiple and complex developments in the back end." That being said, TMCs still rely on some manual processes in some countries to circumvent technical hurdles. In Vietnam or Taiwan, for example, "data upload is still manual."

FFCm Travel Solutions, the corporate division of Flight Centre, has also established a travel management system that provides enhanced data to clients. "For some clients we are sending it to the credit card companies," said Clare Fraser, financial systems manager for Australia/New Zealand, based in Christchurch. "For others, we enhance it in-house and do consolidated reporting, with all their details. We give our clients data on where they've flown and who they've flown, with a lot of management reporting."

While UATP cards, the centrally billed cards for air, are quite common, the trend is growing for corporate cards, thanks to the recent arrival of MasterCard and Visa into the market. In addition, "there's a big push for expense management systems," she said.

Flight Centre can send enhanced data from most of the local carriers. However, it only has booked data for hotels, and matching this with the credit-card reports is complex. Fraser said one complication is that the agency doesn't know which credit card the traveler will be using at time of booking. "We have to wait for the reject files at the end of the month" and then try to match the reports, she said. (Reject files consist of the unmatched data from the credit card companies.) "We have an estimation of what the cost will be, but the traveler may have upgraded or have additional charges and the dollar amount won't match." In addition, some travelers don't use the corporate card, so the information is lost.

Another challenge is the multiple GDSes. "We're developing reporting that covers and consolidates all sides," said Fraser. "Australia and New Zealand use the same platform, so consolidation of data for the two markets is relatively simple, but in other countries the process can be complex."

To address the needs of those companies with embryonic travel departments, Flight Centre is considering offering a "data dump," which Fraser explained was "a flat file with a pile of information from which clients could pick and take what they wanted." It would help serve the needs of smaller clients who don't want to sign on for a corporate card but still want extra data. "We're working in conjunction with Concur"—or other expense management provider of the client's choice—"to provide this information. Other clients can pull this data into their own databases, and it gives them much more flexibility."

Other TMCs are working closely with regional and local agencies to develop networks that enable them to collect and consolidate global data for their clients. HRG, for example, is consolidating data from its service centers along with data from other TMCs and third-party suppliers, according to Mattock. He noted that this is a good solution because of the region's diversity. "We use applicable local or regional reporting solutions in each country," which are integrated into a central database from which HRG can provide multinational clients with consolidated data.

“The key challenge is consolidating pre-trip data, particularly for security purposes,” said Mattock. “Currently no security product can take pre-trip data feeds from systems like TravelSky in China, Arga in Indonesia, Topas in South Korea, and the various local CRSes in Japan. We are developing an XML feed to facilitate pre-trip extracts into our security tracking tool, HRB TravelWatch.” He noted effective and comprehensive data collection is dependent on clients providing “appropriate reference information at the point of sale (or through profiles), such as accurate employee reference codes, Project ID or Cost Centers.” Clients’ success at inputting the information is dependent on their “organizational hierarchy and structure.”

HRG provides analysis of trends through its Executive/Board Reporting tool, which provides “five or six key performance indicators that allow senior management to have the pulse of their travel program and its effectiveness.” Like its competitors, it offers a global security data service that enables managers to track travelers and issues alerts to travelers should a disaster or terrorist event occur at their destination. And it can also track and analyze travel patterns and practices, such as duplicate bookings refunds, and suggest proscriptive actions.

HRG is also testing a new integrated booking and expense management tool with a client in Australia. It enables “the booking to become the expense report, to which other costs are imported automatically from card expenditures and then topped off with out-of-pocket expenses. Making the booking creates project codes and the entire report can be flowed through to SAP or any other enterprise application,” said Mattock. “The key message from our clients is that system and process integration is a goal.”

Smaller agency networks are also getting up to speed. RADIUS, for example, a global travel agency consortium based in Bethesda, Maryland, USA, reports that many of its agencies in Asia Pacific have multiple GDSes as well as local booking solutions. “The flexibility of our platform allows for the collection of data from multiple sources,” said Stuart Wines, RADIUS’s vice president of Asia Pacific. In addition, “new technologies in the marketplace are emerging to help streamline the analytical processes and empower the travel manager to better understand their data and establish more effective travel programs.”

### **A Third Option: Data Aggregators**

Some multinationals are using a third-party data aggregator, such as TRX, Hi-Mark Software or Cornerstone. (Agencies and other suppliers also utilize these data collectors.) The aggregators do the matching for you, collecting the data from multiple sources and standardizing the format, which is linked to the clients’ GL systems, easing the budget management process. TRX, for example, collects data from every continent except Africa and Antarctica. Its mid-office point-of-sale tool can add components that aren’t necessarily in the credit card data, such as reason for trip, project code, GL code, the client’s billing code, etc., which can improve the cash flow of the corporation. The data is held in a warehouse until the credit-card feed is released and matched.

While such systems are expensive, one advantage is that the corporation owns the data. According to TRX, “corporations are experiencing many changes in the TMCs, with mergers, acquisitions, etc. Many corporations are wishing to own their own data so that they retain the flexibility to change suppliers and at the same time control the information

themselves. This is also true of other components of an end-to-end solution (booking tools and GDS contracts).”

These solutions are customized to the client and require CTMs to decide which and how many fields under each category of data (air, hotel and car) they want to obtain. “Best practices require flexibility,” noted TRX. The CTM can control access to the data internally by establishing hierarchical levels, to ensure security.

Such systems represent the cutting edge of technology. Web interfaces have created data-aggregating capabilities that weren’t possible just a few years ago and have helped reduce costs. Companies can manage their data more economically thanks to breakthroughs in data warehousing. Tech innovations have also resulted in new types of delivery of the data, such as dashboards and visualization aids. These systems and tools, available from the aggregators as well as the TMCs, enable CTMs to analyze their data in speedier, more user-friendly ways.

### **Challenges in Consolidating the Data**

While all of these options are enabling CTMs to manage their programs more efficiently, capturing and consolidating the data isn’t a simple process. The challenges in Asia Pacific are twofold: difficulty in obtaining a consistent level of data, due to supplier fragmentation and limitations in internet and other technologies in some domestic markets, and the paucity of good travel management practices.

### **The Problem of Inconsistent Data**

In general, the best data is available in Australia, New Zealand, Singapore, and Hong Kong. In emerging markets like Vietnam the data is minimal.

The biggest challenge is the fact that many hotels are not in the GDS, especially in India, China and Japan. The only way to capture the data is for the traveler to book the property through the travel agency, but many employees are accustomed to having their secretary do the booking.

Each country has its quirks. While Japan, for example, accounts for a third of all travel in the region, only 12 to 15 percent of travel is managed by TMCs, according to CWT; most companies use in-house travel agencies or local travel agents instead. Global GDSes account for less than 40 percent of the market, with most flights booked through the four country GDSes.

TMCs aren’t able to integrate the Japanese domestic data into their global databases. CTW, for example, only consolidates international flights and hotels for Japan. “Domestic data is in Japanese and there’s not much you can do with it anyway, since the airlines won’t negotiated with corporations,” Bezer said. “We do offer local domestic management information.” Global companies thus could obtain the data, but it would not be integrated with the rest of their spend.

Progress is occurring quickly in other markets. As recently as a year ago, India was “a black hole,” said Badrinathan. But thanks to the efforts of the mega TMCs, airline flight segment data is now available in the country. Use of credit cards is growing and the launch of several on-line agencies last year is helping push e-ticketing and on-line booking in the country, he said.

China is still a tightly restricted travel market, although the TMCs and card providers are devising ways to work around the constraints. To capture data from the bookings made in TravelSky, for example, travel agents will make a dummy booking in the GDS.

China doesn't allow credit cards issued in a foreign currency to be used by domestic travelers. Companies have to supply their employees in the country with local currency cards. MasterCard provides both locally issued cards and international cards for corporate employees traveling outside the country. By issuing the two cards, MasterCard "has the ability to consolidate and report both accounts for the user, one in local currency, the other in U.S. dollars," said Jones. "We report them separately, but the data is provided through one view."

Hotel e-folio data, in which a transaction is broken out by rate, type of amenity, and other items, is not available in Asia Pacific and won't be for some time at many chains, according to hotel industry executives. The large international chains are dealing with more basic priorities: Marriot, for example, is developing two-way linkage between its properties in the region and the chain's central reservation system, with implementation due to be complete at the end of 2008. This would enable individual properties to exchange information with the central rez system; currently, the capability is only from the central rez system to the hotels.

There have been attempts to input more properties in the GDS. However, Fred Miller, Marriott's vice president of travel industry relations, based in Washington, D.C., USA said the difficulty is that many travelers don't book through the GDS.

Some CTMs that are collecting enhanced data and have a strong policy are requiring their travelers to input the missing data into the hotel expense report. One large tech firm with offices in Manila, for example, has adopted an automated tool that enables travelers to input the name of the property in the report. They are also required to break out the hotel charge on a daily basis, showing meals and other itemized expenses.

Detailed information on rental cars is also not available. Data is limited to name of company and a dollar amount (although as mentioned, Avis will be providing enhanced data in a few months to MasterCard).

### **Managing Data Means First Managing Your Travel**

Corporations won't be able to collect the data that is available without putting in place an effective travel management program. Therefore, it's imperative that companies take these preliminary steps:

#### ***Implement a corporate card.***

The single best way to start tracking the company's travel expenses is to have travelers pay for their travel with a corporate card. Yet outside of Australia and New Zealand, use of corporate cards is the exception. China, India, Indonesia, and Thailand are markets where use of credit cards is still minimal. In Japan, credit card usage is less than 50 percent among companies, according to CWT.

Many corporate travelers in the region still rely on personal credit cards and cash advances. One reason is that Asian cultures put a premium on personal service. Another is the relatively high merchant fees and resistance by some airlines to paying the fees, said Mike Bezer, vice president of global sales Asia Pacific, at CWT, based in

Singapore. The merchant fees in China, for example, are four percent for foreign-issued cards. Some airlines refuse to absorb the credit card merchant fees and either raise the fare or pass the cost onto the corporation.

Another challenge: many hotels in the region don't accept credit cards. TMC agents will manually key in the data at the time of booking if payment is with cash rather than a card (which would automatically capture the data). The large TMCs are undertaking this task for their clients, working with individual agents in some markets to input the information.

As corporations establish manufacturing and shared service centers throughout Asia, many of their employees are traveling to remote areas, where acceptance and control are issues, said Glickman at Citi. "Travelers are going to more isolated areas throughout the region. Acceptance is essential to providing companies with the opportunity to capture more data and better manage their travel and procurement expenses."

Some companies are tightening up their travel policies to encourage more travelers to use the card, as well as educating management about the benefits. For example, a sourcing specialist based in the Philippines office of a multinational tech company said her company requires preferred hotels to accept the corporate card. The travel department also actively promotes card usage by travelers, meeting with senior managers to explain the benefits and tracking employees' compliance by utilizing a reimbursement tool that requires them to input the name of the airline or hotel property used on their trip.

***Implement an electronic expense reporting system.***

Many of the companies in the region that are utilizing corporate cards still use paper invoices. However, there is a trend toward electronic reporting. "When we sell the corporate card, we sell the Management Information System as an integral part of the package," said Ms Gan Ai Im, Head of Cards and Payment Products, UOB.

Replacing the paper process with electronic expense reporting saves both employees' time and the expense of paper. Prepopulation of the expense data—the employees' expenses are automatically input into the e-report and sent to the traveler and the CTM for approval—is available and adds to this efficiency. Plus, the data is far more accurate, compared to having an employee manually enter the information.

***Consolidate with a TMC.***

Five or 10 years ago it probably wasn't possible to contract with one TMC for all of a company's travel needs in Asia Pacific. Most corporations still work with numerous TMCs, which can make data consolidation difficult, because agencies differ in terms of standards of data, technological platforms and their tech capabilities.

The differences extend to the nuts and bolts of booking travel, such as how a ticket is written, how the fare is broken out, how to attribute revenues, and currency conversions of origin and destination for air, according to Mark Walton, principal at Consulting Strategies, based in Deerfield, Ill., USA.

But as multinationals are implementing global programs, they're seeking to consolidate their travel with one TMC. Large financial companies are in the vanguard (see Case Study, JPMorgan Chase).

Some CTMs avoid consolidating with one TMC because they want to maintain their independence and ensure they have total ownership of the data. This is especially the case in Japan, where large companies maintain their own in-house agencies and service, not cost savings, is still the priority. Even the mega TMCs have had to accommodate their business models in Japan to this scenario. The Japanese “are ahead of the world in terms of their electronic industry, but in terms of how they do business, it’s still very personal,” said Fraser.

***Put in place a strong travel policy and enforce it.***

Having a system to collect, standardize and analyze the data isn’t worth a whole lot if there isn’t a policy requiring travelers to pay with the corporate card, book with the TMC, and use preferred suppliers. One important benefit of getting the data is that it enables CTMs to monitor compliance and identify leakage from the program.

A May 2007 report on T&E technologies and services by the Aberdeen Group, which surveyed 435 enterprises in diverse sectors, found that the rate of compliance to corporate policies is a key metric in reducing T&E expenses. Eight-four percent of Best in Class enterprises have established T&E policies, processes and tools, 73 percent have a consolidated T&E program, and almost 90 percent of their T&E expenses are in compliance (the average is 70 percent).

In Asia, compliance is a huge issue. According to CWT, an average of 30 to 40 percent of travel transactions does not go through the TMC in the region. Obviously, the opportunities for savings are enormous.

Compliance to a program designed to take cost out of a system can be particularly challenging in some Asia Pacific markets, where personal service is highly valued. Also, cultural sensitivities need to be considered in deciding the best enforcement measures. For example, in Japan mandating compliance to an online-booking tool is considered too confrontational; it won’t work. A more effective strategy would be convincing travelers of the benefits to security, since the tool aids with tracking the movement of employees.

***Implement an on-line booking tool.***

A cornerstone of effective travel management is automating processes, in the form of online booking, e-ticketing and electronic expense reporting. These processes are critical to capturing data in a seamless, cost-effective way, cutting down on labor expenses and paper. As these automated processes become more available in Asia Pacific, corporate travel departments will discover new efficiencies and opportunities for savings.

An on-line booking tool is a sure-fire way to increase compliance to the travel policy, since the preferred properties and rates are automatically loaded into the tool. Another benefit is the reduced transaction fees, although this is less apparent in some Asian markets, where labor costs are low. Savings can also result from the tools through a reduction of the cost of tickets bought by travelers due to visual guilt.

While on-line booking tools are most prevalent in Australia and New Zealand, their usage is in the single digits in other Asia Pacific markets. Usage of the tools is generally limited to domestic travel, since the complexity of international travel itineraries in many cases is still better handled by an agent. However, adoption can be impressive where the tools are made available. For example, CWT is getting 80 percent adoption rates for

a couple of companies that are using its on-line booking tool for domestic travel in China, according to Bezer.

Lack of credit cards is one reason the on-line booking systems haven't taken off. Another issue is the modest Internet penetration in Asia, said Don Birch, president and CEO at Abacus International. "While developed countries like Singapore (53 percent), Hong Kong (60 percent) and South Korea (25.8 percent) have higher levels of penetration on average, Asia's growth economies like China (7.8 percent) and India (4.7 percent) have considerably less." (Birch said figures are for October 2006.)

"There's a strong predilection to maintain manual systems at the local level," said Tom Wilkinson, president of TRW Travel Consulting, based in Pennington, N.J., USA. When a multinational with headquarters in Switzerland, for example, rolls out its global program to a regional vice president, the only reason he will agree to pay \$35,000 versus \$3,500 is "because the senior guy in Basel 'tells me I have to,'" said Wilkinson.

However, rising wages and higher costs, a natural evolution of the fast-growing economies of countries like China and India, will ultimately change the equation. Plus, and perhaps more importantly, "the power of having the availability of the data is so great it's worth a higher transaction fee," said Wilkinson. "It blows through arguments about local labor costs. Global organizations recognize that."

### **A Best Practices Approach to Data Collection**

Maximizing the benefits of managing your T&E data requires preparation, patience and communication. Deciding how the data is delivered and from whom, who receives it, linkage with your internal systems and type of analysis are aspects that need to be addressed. Here are some key points to consider:

#### ***Do an analysis of your data needs and systems as well as your budget***

Set the parameters of a system that balances comprehensiveness of data with efficiency and ease of use and affordable cost. Determine who are the internal customers looking at the data, and what their needs? Finance is interested in the return on investment; the CTM wants to identify the savings and lose savings with suppliers; the travelers, in speedy reimbursement. Balance the projected savings against the cost of investment.

#### ***Develop a business case***

Travel is a company's second- or third-largest indirect corporate expenditure, so managing this spend can significantly boost the bottom line. CTMs need to make the case to senior management as to why the investment in data consolidation—including consolidation of corporate card and TMC and implementation of an expense reporting systems—is worth the investment.

#### ***Involve all the parties***

While the delivery of the data may be easy enough, CTMs need to figure out how they are going to use it. They need to decide what type of data they want and then ensure their internal formats are set up to accept it. The company should work closely with all its partners—the credit card association and issuing bank, TMC, suppliers—to figure out what data they want, what data is available, and how they're going to use it.

The decision-making process and implementation should include all the effected parties—procurement, IT, accounts payable, human resources, and the CFO. Involving

these other players will help ensure that the expense management system will integrate fully with the corporation's Enterprise Resource Planning (ERP) systems, including interfaces with the GL, accounts payable, payroll and HR.

***Address privacy concerns.***

Treatment of an individual's right to privacy varies tremendously from country to country in Asia Pacific, from the extensive privacy laws governing the handling of personal information in the public and private sectors in Australia and New Zealand (considered the most extensive outside the European Union) to no laws whatsoever in places like Singapore and Japan. (Some non-democratic states go the opposite extreme. In China, for example, the government monitors citizens' access to the Internet in the name of state security.)

To make sure they're in compliance with the stricter laws in the region, TMCs, card providers and other vendors generally obtain authorization from their corporate clients for the necessary sharing of their data with third-party suppliers. Australia's privacy law governing businesses with at least AU\$3 million in revenues requires this. Among other things, its 10 privacy provisions require them to ensure the information is accurate and up to date, to have the necessary protections in place (including the installation of computer hardware and software systems), and to transfer the data outside Australia only if the recipient in turn is governed by comparative privacy laws.

The standard practice is for the TMC to obtain the traveler's consent by signing an agreement allowing the agency to collect and share their name, passport number, and other information with third parties strictly for the purpose of travel analysis. In many cases, "consents are required from the corporate in order for the merchant to release the data" on travelers, said Friedman.

CTMs should confer with their HR and legal departments for guidance on procedures to protect individual privacy regarding the corporate card and TMC traveler profiles. Data-privacy clauses should be inserted into supplier contracts limiting how the data can be used and for what purpose.

CTMs should also ask their contracted suppliers—be it a TMC, corporate card provider, third-party aggregator, or GDS—about their data privacy standards and practices, including audits. Corporations and TMCs also need to establish which party has liability for travelers' data privacy (generally it's the company).

***Prepare for change management and educate the workforce.***

Some travelers are in the dark when it comes to understanding the different fare codes. Managers may not understand travel industry terms, which makes it difficult for them to decipher reports on travel spend.

Georgie Farmer, head of travel for Asia Pacific at JPMorgan Chase, based in Singapore, said the travel department consulted with its TMC to provide a user-friendly guide explaining fare codes for all its business units. "Simple language is best," she said. "You don't want to bombard the business with fancy stuff. People also like graphs and charts."

When implementing a data enhancement system across borders, make sure the necessary resources are provided for training the work forces in those other countries. Also, allow time for implementation. Switching to a system of data consolidation doesn't

happen overnight. Work closely with your TMC and card provider to iron out any wrinkles.

***Improve compliance.***

If travelers aren't booking through the TMC, you'll lose detailed data that can help reveal your travel patterns. If they aren't using the corporate card, you'll have to spend more time in reviewing the expense report data. If travelers aren't using the preferred suppliers, you risk not meeting the volumes upon which your discounted prices are based.

Create incentives for travelers to use the card, such as prepopulation of expense reports. Require travelers to fill in the gaps, such as breaking out their spend at the hotel on their expense reports. Educate management and travelers about the benefits of using the corporate card and booking with the designated TMC. Show them how their actions can save on the bottom line. Communicate positive results of improved adherence to the travel policy.

**Conclusion**

Enhanced data allows CTMs to assess the performance of the travel program and negotiate better deals with suppliers. It gives them the control. Whereas data from a supplier may be inaccurate, biased in its analysis, or difficult to obtain, more detailed data from the card provider, TMC or data aggregator is more reliable and objective. It also gives buyers credibility at the negotiating table, since it shows they can deliver on your commitments. Enhanced data also helps you monitor the performance of suppliers.

Probably the most valuable benefit in Asia Pacific, where managed travel is still a novel concept, is identifying program leakage. By drilling down you can identify noncompliant behavior, which can result in a tightening of the policy. By matching booked and expense data, CTMs can identify whether travelers are booking through the TMC and paying with the corporate card.

Being able to do those will strengthen CTMs' credibility with senior management and procurement. It helps them demonstrate the effectiveness of the travel program in terms of opportunities for savings and efficiencies.

Data is power, and the tools are becoming available for CTMs to demonstrate that they can deliver savings, service and efficiencies to their company.

### **Case Study: /Monash University Implements Enhanced Data**

Two years ago, Monash University, which has six campuses in Australia, became the first Asia Pacific adaptor of MasterCard's Smart Data On-line. The university has issued nearly 2,000 corporate cards, which collectively account for a T&E spend of AU\$20 million a year. Heather Bradbury, manager of corporate business systems, based at the Clayton campus, has found that the enhanced data reports on the university's airline spend are an eye-opener.

"We can see where people flew, all the flight segments, whether they went first class or economy, and the flight number," she said. "Before we only got an airline name and a dollar figure." With the more detailed detail, "we made discoveries that people were putting inappropriate things on the card," such as international flights to destinations that weren't on their academic itinerary. "If you went to a conference in America and stopped in Paris on the way back, we see it and wonder why you did that."

The cardholder and the cardholder's supervisor are getting e-mailed MasterCard statements on a monthly basis, which includes the traveler's additional card spend—for hotel, car rental, meals and incidentals. Each day Monash University receives a file from MasterCard with transactions from the previous day, which are uploaded into the finance system. Cardholders log on and are required to add a GL number before the transaction gets posted as an expense in the SAP financial system. Additional data, such as the name of the conference the person attended, might be added as well, Bradbury said.

The university is also auditing a sample of reports. "We're running merchant category exception reports and merchant reports. If the expenditure looks personal, we ask the cardholder, 'what did you buy from that shop?' If it's an inappropriate expense, we ask to see the receipt and the staff member is asked to reimburse the university. As the cardholders know that our internal auditors are checking their transactions, we have a high compliance with the purchasing rules."

Bradbury said her department relies on such clues as a merchant name to identify expenses that might be out of policy. "We'd love to have the hotel e-folio," which itemizes the hotel spend, such as the rate, parking and mini-bar, and would make this process easier. She said enhanced data for rental cars, such as number of days and the rate, would also be valuable. (Currently only the name of the car company and a dollar amount is available.). Hotel and car-rental enhanced data should be available from a couple of initial suppliers in the near future, according to MasterCard.

The university is also using an on-line TMC booking tool for its domestic travel, which saves on the TMC booking fee. It also uses two TMCs. She said about 20 percent of traveling academics don't book through the TMCs. "We're looking at approval processes" to increase compliance to the TMC. Another issue: because MasterCard is obtaining the enhanced air data from the TMCs, the university is missing enhanced air data for travel not booked through the TMC, Bradbury said. A purchasing strategy team is currently reviewing expenditure, especially non-preferred supplier spend, with the aim of creating a strategy for reducing costs.

### **Case Study: JPMorgan Chase Consolidates and Tightens Travel Policy in Asia Pacific**

JPMorgan Chase has been moving toward consolidating its suppliers and is using enhanced data to get more control over its spend. A year ago, the bank had 23 travel agents serving its travel needs in 13 countries, according to Georgie Farmer, head of travel for Asia Pacific, based in Singapore.

The bank, which has about 5,000 travelers in the region, had a T&E spend of US \$75 million in 2006. It's also in the process of consolidating its corporate card around the globe, and is similarly rolling out a standardized expense management product. The program is still evolving and Farmer said there were some inconsistencies in the data. Components of the data have to be manually keyed in by an agent at some locations, and although the TMC standardizes it, there are gaps. For example, domestic air and hotel booked on local CRSes in Japan and China are difficult to standardize and merge with regional or global data, due to different languages and a lack of CRS integration into the GDS. "They're trying to find a solution" she said. "It's coming".

JPMorgan Chase is focusing on ways to increase compliance. Monitoring travelers is one way. Some major global lines of business have asked for detailed reports.

The company has also added supplements to its global travel policy that address the Asia Pacific market. While travelers based in Asia are allowed to fly business within the US when the cost of their business-class airfare is no more expensive than coach, they are required to fly coach domestically in Asian countries where business-class fares can be much higher, said Farmer. Also this reflects the improvement in airline service in major markets such as India and China, making coach an acceptable option.

Class of hotel is more flexible, depending on the traveler's specific requirements, such as traveling with a client. In addition, "we're looking at demand management. If you have to take 10 percent out of T&E, pre-trip approval is one way of getting people to think twice about traveling. Maybe they can combine meetings." But it isn't easy to get travelers to change their ways. "People still want to fly the national carrier, although another high-quality carrier may be cheaper." Getting parts of the business who are accustomed to staying at a top-end five-star hotel to choose a lower priced hotel is tough. In Hong Kong, one hotel can be more expensive than the others, and they are not out of policy by choosing it. "We need to educate them," said Farmer, noting that the lower priced five-star properties offer pretty much the same level of service. "Over time it will evolve."