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Travel procurement

Strategies for a world of new challenges

TRAVEL PROCUREMENT

Strategies for a world of new challenges

By Lisa Wichmann

Travel and procurement have been known to butt heads in the past. While the acrimony continues at some organizations, progressive companies are favouring more cooperation. Time and again, collaboration between the two departments is proving to reduce risk, lower costs, and ensure suppliers meet service level agreements.

“We took a very adversarial approach with strategic sourcing a few years ago,” reflected Onita Dey-Frankian, director of sales with BCD Travel, and industry liaison for the Association of Corporate Travel Executives (ACTE). Today, she’s happy to recognize procurement and travel are both aligned to the same goals around “service and quality.”

Dey-Frankian spoke at ACTE’s executive forum in Toronto in February. As moderator of a panel of experts, she shed light on the challenges facing travel managers, such as risk, sustainability, and cost control.

She took an informal poll of the audience, to determine how many involve purchasing in their travel programs. About half the attendees raised their hands. They seem to be part of a growing contingent wishing to bring more control to their programs.

In fact, research by Boston-based Aberdeen Group found procurement’s involvement in travel and entertainment continues to rise, with 30 per cent of enterprises reporting a significant increase over the past couple of years. Only 14 per cent said procurement has never—and won’t ever be—involved in procurement.

The study—conducted in late 2007—involved 370 companies in a range of industries around the world. Called “Travel and Procurement: The Convergence,” the paper found 87 per cent of best-in-class enterprises either have the travel department reporting to procurement, or work closely with it.

Around 58 per cent of respondents feel procurement has helped improve compliance to preferred vendors, while 51 per cent said compliance to procurement policies has improved with procurement’s influence.

The evolution wasn’t a natural one. For years, procurement has been viewed as only a cost cutter, with a goal of turning travel into a commodity, the paper found. But more recently, procurement departments are becoming quite strategic, and more aligned to employee and business needs.

Bringing some discipline

Of particular interest is procurement’s focus on key performance indicators (KPIs), which can vastly improve travel programs. The research showed best-in-class corporations are 38 per cent more likely to measure travel KPIs.

“The most important thing about strategic sourcing is bringing value,” said Lori Benson, senior strategic sourcing manager with Ernst & Young LLP in Toronto, who spoke at the ACTE conference. “It’s a more formalized approach and a disciplined approach.”

In her current role, Benson has noticed suppliers becoming much more savvy. They’re collecting personal data on the travel manager, profiling the company, and using other means to get past the arms-length buying process. For that reason, travel buying is more transparent than it ever was, and it’s up to the procurement department to jump in and restore the buyer’s negotiating power.

“It might be something like pushing

your supplier to give you some solid data that you can use,” Benson said. “There’s value to be brought to the table.”

Travel managers tend to focus on getting the job done as efficiently as possible, so they often see procurement as a roadblock.

“Strategic sourcing says let’s all think about this and make sure we’re doing the right thing. It can be frustrating... but the targets can be met.”

Sometimes, travel managers present signed contracts to the procurement





department, asking for reassurance that everything looks OK. At that point, it's too late to make changes. But if brought into the process early enough, procurement can help vet the agreement.

"Don't be afraid to read a contract and don't be afraid to ask questions," Benson advised. "If the language in the contract seems ambiguous, ask for clarity or suggest your own wording."

In one case, she noticed the supplier included language to have all liability carried by the event host. By reverse

engineering these agreements, procurement can call attention to red flags.

The offer is well met by many travel managers, who are navigating through an increasingly complex, and costly, miasma of airport security hassles, health threats and blurred lines between business and personal travel.

With so much on their dashboards, many are happy to divest some of the due diligence to the procurement department.

Sustainable travel

These days, one of the more pressing concerns on their radar is sustainability. Environmental organizations are calling attention to the carbon impact of major corporations. Emissions created by flights are expected to be offset in other ways, and younger employees are starting to clamour for more eco-friendly policies.

"Our youth today is so much more aware," Benson said. "Purchasing becomes 'what am I buying? Am I buying responsibly?' It's not that it's going to cost a quarter-million dollars to buy in a more responsible way. It's more a behavior approach."

For instance, procurement managers might suggest more environmentally-friendly options, such as taking the train instead of flying, renting a more fuel efficient car or having colleagues share the same vehicle.

According to the Aberdeen research, the majority of respondents (55 per cent) said their organization's travel policies don't support sustainable travel. But 31 per cent said plans are in progress. Only 14 per cent have sustainable policies already in place.

Web conferencing is a favorite sustainable practice, with 47 per cent using it to augment or replace travel. But 35 per cent are also encouraging more productive business trips, such as one longer trip as opposed to three shorter ones.

At the time of the Aberdeen survey, 26 per cent of respondents reported plans to include sustainability in supplier evalu-

ations. For the most part, suppliers are happy to answer the call.

"Suppliers are often leading the charge...in greening travel," said Leanne Hay, a principal with Sapphire Global Events, during the ACTE event. She pointed out other trends in corporate and incentive travel.

Increasingly, participants in incentive and meeting trips are getting harder to please, she noted. "Meetings and incentive travel people have been there, done that...so [exotic] destinations such as China and Dubai are becoming more popular."

Event logistics are also more complex since there are now multiple generations in the workplace. "The more mature audience is comfortable with handouts...but younger people want web casts," Hay said. "For leisure activities, the young people want white-water rafting, while the more mature are happy with a cooking class."

Therefore, it's important to find suppliers who offer more than one-size-fits-all. Buyers are also looking for suppliers who provide free Internet on site, respond precisely to RFPs, build better relationships and offer environmental travel, which was pegged as one of the top three current priorities, Hay said.

Like her colleagues at the ACTE event, she also realizes the value of procurement in travel management. She pointed to industry data showing 60 per cent of meeting planners expect procurement to become more involved in their programs. "Certainly overall, you can see significant cost savings."

Consolidating your program

Cost savings are always a big driver, and lately, so is globalization. With more activity overseas, managers want to bring some consistency to their global travel spend.

Companies such as Eastman Kodak have gone through great pains—tackling cultural differences and local resistance—to consolidate travel procurement on a global scale.

"We wanted to leverage the total travel spend...that's something we're always trying to do," said Douglas Baldy, retired global corporate travel manager with Eastman Kodak Co.

"We went from having a lot of silos in many different regions, with lots of duplication, to a global support services [model]."

The new configuration sees travel, fleet, accounts payable and other services handled by a single global arrangement. "It gave each region an opportunity to focus on its [core] business," he said.

Without the staunch support of Kodak's chief financial officer, the plan would never have surmounted the naysayers within the company. The different regions were territorial about their travel policies and suppliers, and weren't immediately happy to defer to a centralized service.

There were also plenty of stumbling blocks along the way. Kodak really favours self-booking, for instance. Hav-

ing employees book their own trips cuts down on administrative costs, and it also provides some "visual guilt" to deter staff from the more costly travel choices.

When Kodak was taking its travel program global, it discovered none of Australia's travel systems were equipped to allow self-booking.

“While you can apply a lot of technologies that are procurement driven, you can't take people out of the equation... It's still an emotional purchase. [Travel] takes people away from their families... The relationships are very important.”

Then there were the hotels in Asia. Employees in China were accustomed to staying in two-star hotels where the staff didn't speak English. But the two-star hotels didn't fit into the company's global booking policy, which favoured English-speaking properties. The situation took some diplomacy, and in the end, bringing local employees into the planning process saved the day.

"You will not get buy-in of any kind, and you will make enemies in your own organization if you say 'we're just going to make it happen. Everyone will speak English'," Baldy said.

For BCD Travel, the company that worked with Kodak, it's all about emotion. Perhaps more than any other spend category, employees and travel managers have strong personal preferences and sensitivities.

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senior vice-president of global implementation and project management with BCD

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takes people away from their families... and the relationships are very important," she said.

That's word

to the wise for procurement managers, who might select new vendors without consulting clients. Overall, the whole category seems to require more sensitivity, and a commitment to keep up with changing demographics.

"There's an increasing number of female travellers," said Lorrie King, partner with Deloitte, who presented at

the event. "More women are making travel decisions at home and at work."

The shifting landscape will require safer hotel accommodations, better lighting in parking areas, and other adjustments.

King has also noticed business travellers taking fewer, longer trips, and combining corporate and family travel. That pattern requires travel programs with family-friendly hotel options; not just ones geared to business.

In terms of the bottom line, procurement managers are trying to keep costs in check, in the face of rising fuel prices and other pressures. "There's a continued focus on ensuring any travel is necessary," King said. "In some cases [they are] doubling up on rental cars and hotel rooms."

Looking ahead, travel managers will have to work harder to make corporate travel as painless as possible. That means drawing data from their third-party travel managers to pinpoint employees no matter where in the world they are. This type of tracking allows them to alert travelling staff about health risks, flight delays and new security regulations.

Bringing procurement into the picture will ensure suppliers meet service level agreements, and employees stay within contractual arrangements and corporate policies. With a category as complex as travel, teamwork is the only way to go.

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