Ka-ching, Ka-ching!

Finding Transparency In & Managing Unbundled Vendor Costs

Fuel surcharges, baggage fees, meals and leg room… all of these were once included in the base fare of an airline ticket. But car rental companies, hotels and rail transportation suppliers—in addition to the oft-publicized airline industry—are all unbundling costs to the frustration of travel managers around the globe.

Sold by suppliers to the consumer as an effort to provide choice, unbundling fees allows passengers to choose the services they want to pay for, while eschewing extras they don't. Such cost structures, however, force travel managers to scramble with their budgets and auditing mechanisms to accommodate and account for such fees.

Miscellaneous fees and surcharges can range from US$10 for a meal to as much as US$80 for fuel—and some are offered after the point of sale. And while some charges may seem small to the individual traveler, multiplied by thousands and even tens of thousands, they can easily break the travel budget when applied across the business enterprise. With new fees announced all the time, adjusting policy parameters to keep up with the changes presents an impossible task for travel managers.

Management.travel reported last May that some companies, like Liz Claiborne Inc., have opted to allow certain upgrades—such as paying CA$15 on Air Canada for a seat assignment—to ensure its travelers are accommodated on overbooked flights. Other companies have tried to alleviate certain fees by negotiating loyalty program status for their travelers. Such measures may have to function as stop-gaps to save incremental costs until better solutions can be found.

But if the airline industry is any indication, unbundled costs are here to stay. They are one survival tactic among many that suppliers are using to combat skyrocketing fuel and energy costs and the resulting dent in revenues. Therefore, travel managers need to understand how to track such fees and how to negotiate in an environment that is becoming increasingly complex.

WHAT YOU NEED TO KNOW

Session: M104

Highlights:

- How such surcharges and fees can affect overall travel cost
- Policy measures to combat current fees
- Negotiation strategies that can alleviate add-on fees
- How to budget and account for unbundled costs

Additional Resources:

- *Unbundled Airline Pricing Presents Challenges*
- *Airlines Scrambling for Survival*
- *Fuel Prices Stinging Car Renters, Impacting Contracts*

Duty of Care

Legally defined, duty of care is the obligation to exercise a reasonable degree of prudence and caution while performing any acts that could foreseeably harm others. In practice, it at least means that companies should have documentary evidence that they have informed employees of relevant policies, including travel policies.

In April, the United Kingdom's Corporate Manslaughter Act went into effect, allowing courts to decide if a corporation's senior management has adequately endorsed and monitored their organization's efforts to provide such policies. The law has caused many travel management departments—both within the U.K. and outside of it—to rethink how they support individual traveler safety. Aside from the new law, travel to high-risk destinations has been continuously under the microscope, but even destinations deemed safe are vulnerable to weather disasters, terrorist activity and other events that threaten traveler safety.

Many companies choose to outsource their travel management, pushing as much responsibility as possible to a travel management company. But when it comes to being prosecuted for negligence under new laws in the U.K., companies may find it harder to contract their way out of liability. Other companies are turning to risk management specialists to consult on travel policies and approvals, create goals and implement tools to help them manage traveler safety.

"What drives business decisions really stems from legal imperatives around safety and security," said Bruce McIndoe, president of iJet Intelligent Risk Systems, speaking at the ACTE Global Education Conference in Washington, DC, in May. While the U.K. law applies only to corporations with headquarters or branch offices in England, Scotland or Wales, global travel managers and risk management experts see the likelihood of such laws extending to continental Europe and perhaps beyond. "Most companies would be embarrassed about the lack of support they provide to their employees who travel," said McIndoe.

WHAT YOU NEED TO KNOW

Session: M105/M205

Highlights:

- Incorporate safety measures into your travel management programs
- Ensure policy compliance to support safety measures
- Get corporate management support for safety and security initiatives
- Collaborate with group members to address multiple safety issues

Additional Resources:

- *Act in Travelers' Best Interests: Are Corporate Policies Properly Protecting Travelers in The U.K.?*
- *5Q with IG Management's Bernard Harrop*
- *Managing Travel Risks: Technology, Suppliers Help Companies Measure, Monitor, Mitigate*

Value Management: Focusing on Financial Outcomes

Calculating the value of business travel requires a matrix of measurements. Will the trip generate revenue for the company? Will it facilitate some other soft-dollar value—and at what cost?

As travel costs continue to rise around the globe, the onus is on travel managers to create the policies, value assessments and processes necessary to answer those critical questions. In the U.S., companies are focusing on demand management, with a particular focus on minimizing non-revenue generating travel. Susan Gurley, executive director of the Association of Corporate Travel Executives told *MarketWatch* in June that ACTE surveys found 49 percent of travel managers looking to cut corporate travel volumes in their companies this year.

But the value assessment for each trip has to be made. Several categories of trips are specifically being scrutinized for how much value they are producing for the corporation: internal meetings, same-day trips and overnight trips are a particular focus. Increasing travel hassles and delays are making such trips less effective. Companies are also looking at extending trip length to ensure that more goals can be accomplished on a single travel itinerary.

Another alternative that many companies are considering—more than 82 percent of companies, according to ACTE—are emerging technologies. Especially for short trips or internal meetings, video- and webconferencing have become increasingly exciting options and a more robust platform known as telepresence is making headway as a viable alternative for travel.

Such tactics—reducing short trips, accomplishing more on a single itinerary, and finding technology alternatives to travel—have multiple benefits besides reducing costs. Value benefits include reduced wear and tear on employees and reduced carbon emissions from restricting travel volume. Some companies have actually reported increased productivity from their remote collaboration teams.

WHAT YOU **NEED** TO **KNOW**

Session: M206

Highlights:

- Green options available to a travel program
- Travel value assessment
- Decision-making matrix and communication concept
- Work-flow in adopting value management

Additional Resources:

- *New Trick of Trade: Managing Demand as Procurement Strategy Cuts Travel Costs*
- *Autodesk 'Pulling Demand Mgmt. Levers' to Optimize Global Travel Program*
- *MarketWatch: Survey of Corporate Travel Executives*

Capturing Procurement Synergies Between Transient Travel and SMM

Although tensions remain between meeting planners looking to create unique and effective events and procurement departments looking to control spend and reduce corporate liability concerns, the move toward strategic meetings management is undeniably gaining momentum—both for large, complex meetings and for small meetings that may not yet be on the radar for many companies. *Procurement.travel* reported earlier this year that meetings management technology provider StarCite Inc. said clients during 2007 requested $7.5 billion in meetings business through its online tool. That is 30 percent more than in 2006. As corporations get a better handle on meetings spend, the next step for many meetings managers and procurement departments is to uncover synergies between meetings and transient travel.

Oracle is one company that has found significant savings in integrating its meetings and transient travel volumes. The company, which employs more than 74,000 people, spends more than $600 million in T&E and holds more than 7,000 meetings annually. According to *Procurement.travel*, Oracle began to roll out its strategic meetings management initiative in 2007 to get a better handle on meetings spend and now has been able to leverage the combined volume for deeper discounts with its preferred hotel suppliers—not to mention streamlining and gaining oversight of the contracting processes for meetings.

While efficiencies are clearly attainable, procurement departments must be sensitive to the individual objectives of meetings, and careful not to commoditize sourcing to the point of compromising a meeting's effectiveness. In Europe, in general, the approach to meetings management has come from the marketing and communications side, rather than from the procurement side. This has focused European companies on attaining meeting objectives. Procurement strategies and cost containment can still play a roll, however, while maintaining the integrity of the program.

WHAT YOU **NEED** TO **KNOW**

Session: M202

Highlights:

- Strategies for capturing corporate meetings spend
- Balancing meeting objectives with ongoing budget pressures
- How to streamline the contracting process and minimize corporate liability
- How to consolidate transient and meetings volume when appropriate

Additional Resources:

- *Window into Microsoft Meetings: Procurement Devises Source-to-Pay Strategy*
- *Europeans Soften Procurement Edge of Meetings Management,*
- *Meeting Transparency: Oracle Deploys Strategy, Resources, Technology*
- *Bridging the Gap Between Meetings & Business Travel*

Managing the Pain/Cost of Green

While green practices—such as carbon offsetting, recycling programs and using eco-friendly hotels for travel—have yet to permeate the global business community, the number of companies joining the environmentally conscious ranks is growing. According to a February 2008 ACTE-KDS survey of 125 travel managers and 139 business travelers, the percentage of respondents noting that their companies are responsible for providing carbon emissions information is up to 35 percent in 2008 from 20 percent in 2006.

But travel managers and corporations continue to grapple with the challenges of going green.

Sourcing green suppliers—and confirming their effectiveness—presents a major hurdle. For example, a 2007 study by Anja Kollmuss and Benjamin Bowell published by the Tufts Climate Initiative evaluated several carbon offsetting organizations and found that only one offsetting supplier ranked "very good" in the United States, as compared to several that ranked "excellent" in the European Union.

To be sure, the concept of green business travel seems more mature in Europe than in the U.S., though it is difficult to tell which came first—capable suppliers or demand from buyers for quality services. According to the ACTE-KDS study, European companies show more commitment to green practices than do U.S.-based companies, with 55 percent of U.S. respondents citing corporate responsibility charters as compared to 63 percent of European respondents.

Cost, of course, is another barrier holding companies back from embracing green travel initiatives.

Reducing travel is one way that companies are dealing with both green travel initiatives and reducing travel costs overall. In the ACTE study, 36 percent of respondents reported reduced travel as a measure for supporting sustainability—more than a 30 percent increase over the previous year. But businesses clearly need other options.

WHAT YOU NEED TO KNOW

Session: T105

Highlights:

- Make a business case for going green
- Create buy-in for green travel initiatives
- Help manage the necessary changes throughout your company
- Source green suppliers
- Incorporate green criteria in your RFPs

Additional Resources:

- *Corps. Bumble Toward Greener Travel*
- *Panel: Commit Before Creating Green RFPs*
- *More Than 100 Corps. Join British Green Transport Group*
- *Survey: Corps. Show Gradual Movement on Green Travel*
- *Carbon Neutrality–An integral part of the corporate travel supply chain*

Making Travel Management Work in Russia

At the end of May, the International Air Transport Association (IATA) announced the full implementation of its Billing and Settlement Plan (BSP) in Russia, with strategic partners Russian VTB Bank and Aeroflot.

BSP Russia provides a single standard interface for invoicing and payment between 60,000 IATA Accredited Passenger Sales Agents and airlines in 160 countries. According to IATA, some 37 airlines and more than 400 travel agency locations across Russia now benefit from fully automated airline ticketing and reporting procedures based on international standards. This has not always been the case.

In June 2007, IATA, which comprises 230 airlines that represent 93 percent of worldwide air traffic, scaled back its e-ticketing (ET) initiative and timeline. At that time, Russia was lagging far behind the 100 percent ET penetration target, at only 16 percent. TMCs struggled with manual ticketing and reporting processes, and corporations faced limited access to e-ticketing options for their travelers.

While this development represents an important step forward for Russia-bound business travelers—as well as for travel managers and TMCs, major challenges remain for corporations trying to navigate travel to or within this region.

Cost is one significant factor. In July, Moscow topped HRG's list of cities with the most expensive hotels, with average daily rates weighing in at £299.86 ($598.35). Lack of supply in Moscow and other Russian cities keeps rates high and often poses challenges—companies that have negotiated hotel rates may find their agreements not honored during high season.

Complex distribution models in Russia incorporate several GDS/CRS systems, and the lack of online booking tools for both agents and end-users still necessitates manual entry for many types of bookings. These complexities can inhibit a corporation's traveler security initiatives and reduce the quality of service that can be expected from local agents.

WHAT YOU NEED TO KNOW

Session: T102

Highlights:

- How BSP Russia is pushing the industry in the right direction
- Infrastructure challenges that keep rates high
- Complex settlement and distribution schemes
- Data capture

Additional Resources:

- *IATA, Aeroflot, Russian VTB Bank Implement BSP Russia*
- *Managed Travel Difficult in Russia*
- *IATA Reduces, Delays E-Ticketing Goal*
- *Regional Spotlight: Russia*

New Technologies for Business Travel

Mobile technologies for leisure and business travel are growing steadily as smartphones become more sophisticated and begin to usurp the position of the laptop computer with business travelers. Airlines have made several moves in the mobile arena, with online check-in services, flight cancellation and delay alerts sent via text messaging and "virtual" boarding passes.

Travel managers are beginning to understand how mobile technologies can be integrated into many aspects of the business travel experience. From traveler security tracking to expense reporting, the entire process is ripe for mobile platforms that can reduce costs and increase traveler productivity and safety.

In June 2008, ***Procurement.travel*** featured a story about Proctor & Gamble and its new initiative to incorporate mobile technologies in its managed travel program. The firm's first phase will include real-time alerts about traffic conditions to the airport, security lines, flight departures and delays and gate information. The second phase projects the ability for travelers to make flight changes en route and enter cash expenditures into the company's expense reporting system—from handheld devices. Other companies considering mobile technology cite the benefits of in-flight text messaging, destination security alerts and even payment.

To realize the potential of mobile technologies, traveler behaviors need to be addressed. According to research conducted by IATA in 2007, travelers said they supported mobile technology developments but admitted to slow adoption rates.

Thanks to other emerging technologies, however, some corporations are hoping that fewer people will need such tools. Companies have eagerly embraced demand management techniques to control travel volume, ergo, videoconferencing is coming into its own. Big-name service providers such as American Express, Concur and GetThere have incorporated this option into their booking systems. By creating rules within the booking technology, companies can now automatically redirect would-be travelers to viable virtual alternatives.

WHAT YOU NEED TO KNOW

Session: T104

Highlights:

- What technologies are transforming the business travel landscape
- How you can achieve efficiencies and increase productivity with new tools
- How suppliers are incorporating travel alternatives at point of sale
- How individual companies are enhancing their travel programs with new technologies

Additional Resources:

- *The Cheapest Trip is One Not Taken*
- *Travelers Want Tech, But Do They Use It?*
- *P&G, Hughes Plot Mobile Roadmaps*
- *Upwardly Mobile: The next step for travel management*

Procurement Strategies to Maximize Airline Contracts

Turmoil in the airline industry translates into dramatic shifts for travel managers trying to keep their footing as they navigate a new negotiating landscape. Jet fuel costs are driving much of the chaos. Despite a drop in crude oil prices in July, fuel costs still hold sway over an airline industry struggling to find revenues. The merger between U.S. carriers Delta and Northwest, both just emerging from bankruptcy, was partially precipitated by these costs—and the strategic move to create a global airline has put other carriers on the defensive.

Further complicating the industry is the Open Skies agreement between the U.S. and the European Union. The treaty went into effect in March, allowing more flights, destinations and itineraries between the U.S. and the 27 countries in the EU bloc—a win for corporations on both sides of the Atlantic looking for more choices. But Open Skies also brought changing partner carriers and alliances, making it difficult for corporations to know if they are contracting with the right suppliers.

On the heels of Open Skies, the question of anti-trust immunity has emerged. Delta-Northwest received such status from the U.S. Department of Transportation, allowing it to build more power with partner airlines KLM and Air France. Likewise, Continental has planned a jump from the SkyTeam alliance to Star Alliance to allow it to build code shares and loyalty program reciprocation with United Airlines and other transatlantic carriers. American Airlines is likely to seek such status soon to build its combined muscle with its Oneworld partners.

In this fluid environment, travel managers must look closely at their corporation's most pressing needs and keep abreast of daily airline developments to forecast travel strategies. For those who need short-term cost relief, reducing class of service for international routes may be an attractive option. For those companies looking for future negotiation power, premium-class international volume sends a strong message.

WHAT YOU NEED TO KNOW

Session: T105

Highlights:

- How to uncover savings opportunities in international contracts
- Negotiating better in a multi-currency environment
- Comparing offers to make sure you partner with right supplier
- Manage demand

Additional Resources:

- *UA Wants CO-Star*
- *Air Policy Compliance Emphasized as Carriers Scrutinize Contracts*
- *5Q with Former U.S. Aviation Policymaker Patrick Murphy*
- *New Air Alliances Redrawing Competitive Lines*
- *Coping with Sky High Jet Fuel Prices*

Future Scenarios for European Airlines

The European airline industry is caught in a web of competing pressures as jet fuel prices threaten profitability, new regulations on carbon emissions threaten to push prices up and open skies agreements increase competition. Successful oil hedging by several carriers kept fuel prices in check for the first half of 2008. As those hedges expire, current market prices for fuel promise to drive up operation costs and eat into profitability. Like U.S. airlines, several carriers are now imposing fuel surcharges and unbundling costs. Key players are looking to combat high prices through consolidation. The result could be a market in which strong alliances reduce competition and dominate the European industry.

The climate remains a significant concern for European regulators, who have proposed to include air carriers in the cap-and-trade program that is currently in place for the steel industry, oil refineries and other industries. Airlines would have a cap on their carbon emissions and the ability to buy additional credits from other carriers should they exceed their limits—a cost that could be passed on to consumers in form of fees. According to a May 2008 report in *The Transnational*, European regulators are making an effort to slow the growth of the European airline industry due to the dramatic increase in emissions that threaten the environment.

Open Skies agreements with the U.S. and pending mergers there have increased competition between U.S. and European carriers. Travel managers are already struggling with their airline strategies thanks to likely shifts in global alliances. Airlines in emerging markets, such as China and the United Arab Emirates, are also looking for greater access to the European market, creating even more competition. Carriers will continue to jockey for runway slots and route coverage to key travel markets. Low-cost carriers are not out of the game in Europe, though increasing operation costs are inhibiting deep discounts.

WHAT YOU NEED TO KNOW

Session: T106

Highlights:

- How fuel costs are affecting European airlines
- How fuel costs are affecting European airlines Cap & Trade regulations on carbon emissions
- The effect of emerging markets

Additional Resources:

- *EU's Bruton Explains Transatlantic Trends*
- *EU budget airlines reject emissions trading rules*
- *European airlines face squeeze on profit*

Digging for Gold in Asia: Getting Your Hands on the Data

Travel management is undeniably on the rise in Asia. According to American Express Business Travel's 2007 study of China's business travel market, which surveyed 230 local corporations and foreign companies with offices in China, more than 81 percent had T&E policies in place with 61 percent using online booking tools. In India, another fast-growing Asian market for travel management, new suppliers are pushing online booking services and air carriers have now embraced e-ticket technologies. With this information touted in industry media, it's easy for travel managers to assume that their current travel programs can finally be carried across Asian borders.

Not so fast, say the experts. "There's a perception in corporate travel that if it works in North America or Europe, then it will work in Asia, and sadly that's not always the case," Kevin Ruffles, president of European and Asia-Pacific operations for HRG, told *The Transnational* in December 2007.

Cash-based economies still predominate in this region. The AmEx study on Chinese business travel revealed that the adoption rate of corporate cards in 2007 hovered at a mere 7 percent—a decline of 30 percent from 2006. In addition, cultural nuances direct a high-touch environment that clings to paper processes even when technology tools and self-service booking are available. Many local hotel suppliers throughout Asia resist loading availability into GDS systems, making it necessary for TMCs and corporations to manually book and enter data into their reporting systems.

Numerous other factors contribute to the issue: the size of the region, its language diversity, the availability of cheap labor and strict government regulations—all of these can inhibit technology adoption. Companies looking to expand their managed travel programs into Asia need to know what to expect, how to collect as much data as possible and how to manage travel when data is simply not available.

WHAT YOU NEED TO KNOW

Session: T205

Highlights:

- An overview of challenges facing data collection for travel in Asia
- Case studies of companies that are making it work
- Strategies and tools to guide your global rollout plans
- Future products and services to facilitate travel management in Asia

Additional Resources:

- *Diversity Challenges Asia-Pac Consolidation*
- *LCCs Enhancing Corp. Appeal Around the Globe*
- *Companies in China Sharpen Focus on Travel Mgmt.*
- *Online Travel, Managed Travel Boom in India*