



A modern take on travel procurement

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Introduction

For many years, chief financial officers (CFOs) and chief procurement officers (CPOs) were thought of as executives who simply negotiate costs and/or balance budgets. However, studies show both roles have evolved to play a more significant part in helping shape their company's strategy to grow revenue, increase profitability, and create efficiencies.

In addition to these added tasks, they still retain responsibility for managing costs. This begs the question of how can CFOs and CPOs adapt to the growing needs of their jobs and seamlessly manage these responsibilities at the same time? One way they can tackle these goals is by unifying and enhancing current processes with technology.

To stay ahead of the curve, they've already moved to technology solutions as a means of saving money — from cloud-based options instead of data centers and VOIP phones instead of traditional landlines. Yet, many companies still rely on the traditional way of booking travel, which is to pick up the phone and call a travel agent or manually manage trips for employees.

Why? Because they haven't recognized the benefits of adopting systems that can lower costs and create efficiencies in their travel programs. Not only do these outdated processes cost money, but they lower traveler satisfaction, which can have long-tail effects.

We'll address the large revenue streams that are frequently identified in business travel, the costs incurred, especially due to noncompliant bookings and lack of data visibility, but also discuss the way CFOs and CPOs can both maximize travel revenue and minimize travel expenditures through technology-forward travel suppliers and the right policies.

As we watch technology advance faster than it possibly ever has before, it's important to challenge the traditional business model and ensure your company is approaching travel procurement in the smartest way possible — just like your other areas of business.

If you're steering the travel procurement ship, ask yourself these key questions:

- When was the last time you aligned travel procurement with other similar lines of business?
- Are you tackling travel procurement the right way?
- Do you see efficiencies that could be created with slight adjustments?
- Are you and your employees maximizing time spent procuring travel and seeing a return on investment?
- Are you possibly costing your company more?
- Why haven't you considered another way?

Increased emphasis on travel technology and satisfaction

Advancements in technology (test and learn product culture, cross-device experiences, predictive analytics, and machine learning) can help better manage travel costs, especially in lodging, which is where we see the most opportunity.

If technology is not top of mind when developing your strategic approach to travel procurement, your company's overall health is at risk for successful enhancement and optimal growth. Technology will also become more important as we look into the future.

It's no secret that digital transformation is a strong enabler for economic growth and productivity, reducing operational procurement work, amplifying strategic procurement work, and granting resource investments to focus on higher value-added activities. The modern CFO and CPO believe they should have a strong role in delivering digital strategy because it allows them to make a more direct impact on the overall success of the company, compared to the traditional expectation of simply reducing costs. In 2017, more than 70 percent of 380 finance executives polled said supporting decision-making is their number-one goal for the year.

Talent and CPO leadership are viewed by CPOs as the greatest factors in driving procurement performance, while 60 percent of CPOs don't believe their current teams have the skills to deliver their procurement strategy. Without a strong team in place that can approach procurement in a way that will help achieve the goals of the organization, you must leverage the most efficient and innovative partner that can strengthen and challenge your team to meet those goals. Partners in travel procurement should be a vehicle for driving your organization's success.

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Traveler satisfaction was a popular theme at the Global Business Travel Association (GBTA) 2017 conference. While many may not realize the impact traveler satisfaction has on the bottom line, research shows that increasing traveler satisfaction can reduce overall travel spend, decrease turnover, increase productivity, and improve recruiting efforts.

The Center of American Progress reported that replacing a highly paid employee requiring specialized training can cost up to 213 percent of the employee's annual salary. Consider that the employee makes approximately \$155,000. Replacing that individual could cost more than \$330,000, excluding lost revenue. An increase in traveler satisfaction drives program compliance, which in turn can drive down costs through targeted and strategic negotiated programs. Traveler satisfaction must be prioritized. A travel program that provides the necessary tools to monitor and improve on KPIs rather than simply reporting on usage is key.

By investing and working with a travel management company (TMC), companies will reap the benefits through improved employee retention and engagement which will naturally lead to increased traveler satisfaction. Not only will this impact current employees, but this approach has the potential to attract the right future employees to further grow the business.



Cut back in the right areas

Many traditional business owners naturally gravitate toward pulling back on travel and expense (T&E) when looking to cut costs, but still expect employees to generate revenue. While some may not see the direct impact, this approach causes disruption to the employees generating revenue that rely on T&E budgets to close and grow sales.

Many modern, innovative CFOs and CPOs are challenging this approach as the only solution to cut costs. In fact, for every dollar invested in business travel, US companies generated \$9.50 in revenue and \$2.90 in profit, based on an analysis of government data on 14 industries over an 18-year period.

A few years ago, the hospitality industry was worried that advancements in web-based meetings would slowly eliminate the need for group meetings and events held at hotels and conference centers. Despite the advancements in web-based meetings, people still place a significant amount of value on in-person meetings, which makes sense because conversion rates are significantly higher for in-person prospect meetings, and executives believe 28 percent of business would be lost without in-person meetings.

To challenge the approach to cutting costs without diminishing return, consider examining your metrics for savings.

More efficient travel management processes can translate to real savings for corporations, accounting for up to a 20 percent savings in direct travel costs and 65 percent savings for indirect costs. Considering the cost of travel is a company's second largest controllable expense, setting and receiving approval of specific nontraditional savings metrics is key to demonstrating the value of procurement to your company.

Where do your biggest opportunities lie?

Lodging accounts for 14 percent of T&E expenses, but the average hotel attach rate lingers around 40 percent. That means 60 percent of costs are incurred outside of the company's TMC. If your company has \$14 million in gross lodging spend, you're leaving approximately \$8 million in spend on the table.

Partnering with the right TMC can help increase hotel attach year-over-year and bring visibility to noncompliant bookings and travel spend reporting. There are various ways a TMC can assist in providing these results through the power of technology.

If your program is more mature and has policies in place, consider a TMC that's built on technology and can offer automated, up-to-date notifications that alert the travel manager when lodging accommodations are booked out of policy. This allows the procurement department to have a stronger perspective and awareness on that 14 percent of T&E spend without racking up employee hours tracking down that information manually.

Another area to consider is that travel buyers spend an average of 40 hours each month reconciling travel expenses and payment data. With a TMC, you can access resources that help your company better understand the behavior of out of policy travelers. According to the Egencia 4th edition Business Travel and Technology study, while 60 percent of companies have

a travel policy in place, more than half of the business travelers surveyed are still allowed to book travel using any method they choose, and a full 46 percent have done so for hotel bookings. Business travelers book out-of-policy because either they could not find a hotel close enough to their destination (37 percent), or found a better price or hotel within their per diem (37 percent).

It's also important to think about any forecasted increases in travel costs for your next travel sourcing period. For example, hotel prices are expected to rise nearly 4 percent globally in 2018.

60%

of costs
incurred outside
of TM company



40

hours per month
reconciling travel
expenses

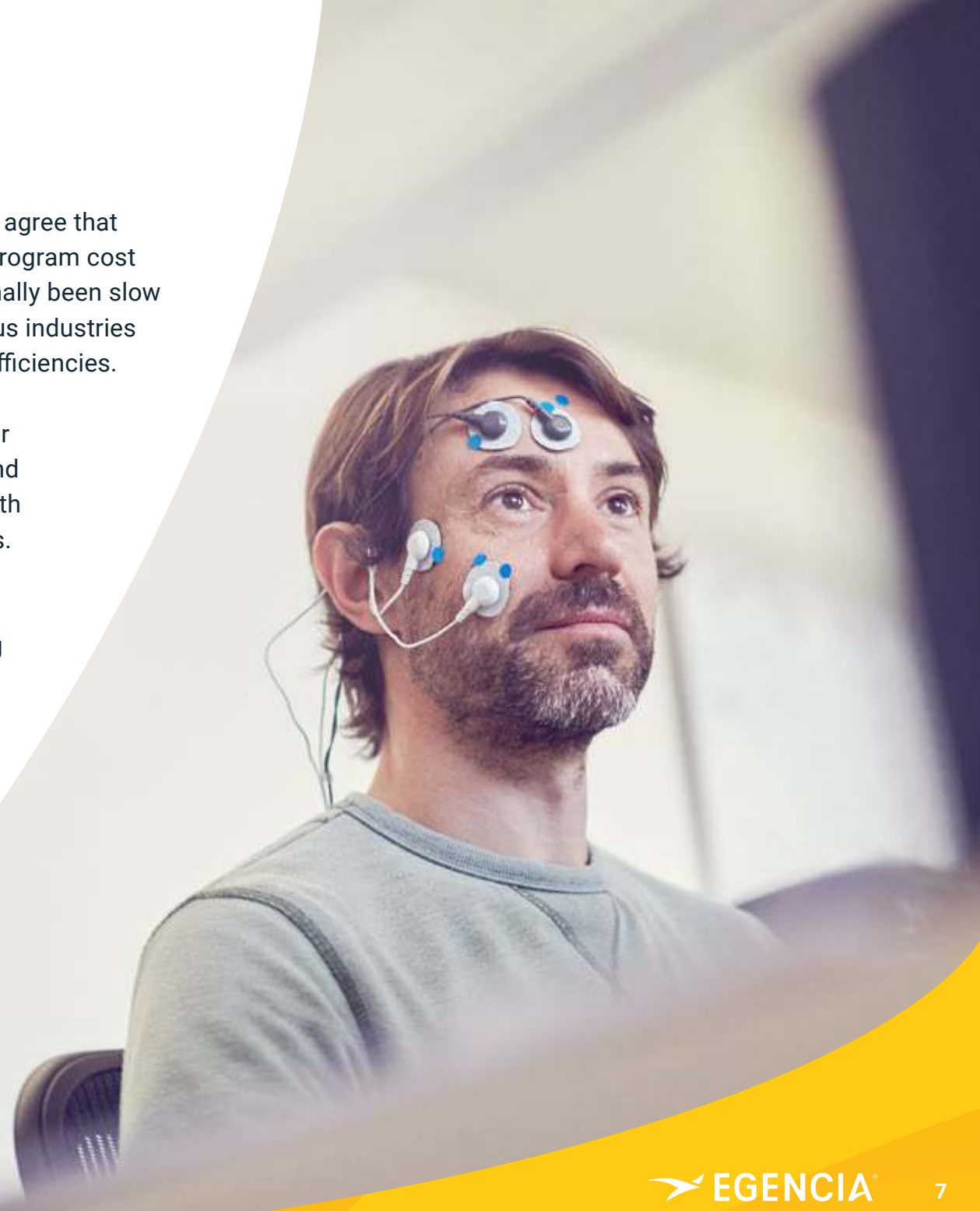


Time to embrace emerging technologies and their benefits

A majority (74 percent) of travel managers agree or strongly agree that machine learning will help them mine data and drive travel program cost efficiencies in the future. While corporate travel has traditionally been slow to adopt technology, many tech-forward companies in various industries are already experimenting with machine learning to create efficiencies.

In the corporate travel industry, where an exceptional traveler experience is crucial to success, data is the new currency and is key to move the industry forward. Data provides an in-depth look at your travel spend through actionable traveler insights. Using predictive analytics, companies can mine and analyze troves of travel and expense data at scale to enhance decision-making, from driving spend patterns and managing negotiated rates to preparing for rising hotel costs.

From traveler risk management and pricing predictions to travel spend optimization, technological advances can turn these old-school, manual processes into automated transactions that allow businesses to operate smoothly and efficiently. In corporate travel, the way forward is to unlock the power of data and leverage this new currency.



Looking beyond corporate travel, Target, Google, and IBM are often recognized for their memorable case studies about how they leveraged machine learning to predict information about customers to deliver an excellent customer service experience. From a business traveler standpoint, travelers want more from their companies when they're on work trips. Imagine business travelers have that type of personalized experience when they're interacting with their TMC. For example, your top salesperson deboards a plane to catch a connecting flight to their final destination. But as they're going to catch their next flight, they receive an alert on their mobile TMC app that says their flight has been canceled until the next morning due to weather delays. Immediately upon receiving this news, the app surfaces in-policy hotels closest to the airport that other colleagues have stayed at and recommended and that have rooms available that evening. In just a few taps, the traveler's room is booked and crisis is averted.

Another example of how the travel industry is leveraging technology is through a test and learn approach, which means that the TMC listens to feedback from employees and customers in the product development process. Hackathons are a great example, as well as multiple features in the Egencia mobile app, which stemmed from ideas presented during hackathons.

A TMC that follows test and learn methodology is continuously rolling out products and enhancements that improve the journey to booking. By breaking free from the classic product rollout

process where a product is developed and tested internally then rolled out the marketplace, this allows a large, scalable company to be nimble and gives customers the chance to weigh in on what they want in a product. Test and learn can help create relevance and assist in lowering costs. Engaging with users in this manner really solidifies the partnership that customers want from their suppliers.

At Egencia, we know technology and take an innovative approach to corporate travel, an industry that has historically avoided disruption. Not only do we prioritize cost savings, but we provide one integrated cross-device solution being used by companies around the world to manage their travel programs.

Why is this important? Because we operate at scale to give you access to data — a new type of currency — and a test and learn approach. Data is one of our most valuable assets and with advancements in machine learning, we can leverage endless amounts of traveler data to provide qualitative insights about your travelers and their preferences and habits. This data allows businesses to optimize their travel programs for their travelers and to drive compliance and cost savings at scale.

How do you evaluate the best travel management partner?

The first step to evaluating travel management partners is to consider your organization's needs and look for one that supports your company's objectives. Next, embrace the power of technology.

Today, travelers have access to hotel bookings at the touch of a button. The right TMC should provide them with robust content, in addition to fair and competitive pricing so travelers will stay compliant. Consider TMCs that save your company booking time and money by providing the most exclusive content in the most impactful display possible.

Here are the areas to focus on during the evaluation process:

- **Innovation: Technology and tools**
Easy-to-use and dynamic, making even the most complex travel programs easy to manage from booking to expense.
- **Content**
Competitive and relevant content across all lines of business, from air to hotel, that can be booked using cross-functional devices.



- **Reporting**

Gone are the days when it was acceptable to wait five days to get a receipt for a large purchase. Up-to-date and detailed reporting should be non-negotiable when selecting a travel partner.

- **Expense management**

A fully integrated travel and expense management solution to create an end-to-end experience that captures booking, fulfilment, and expense.

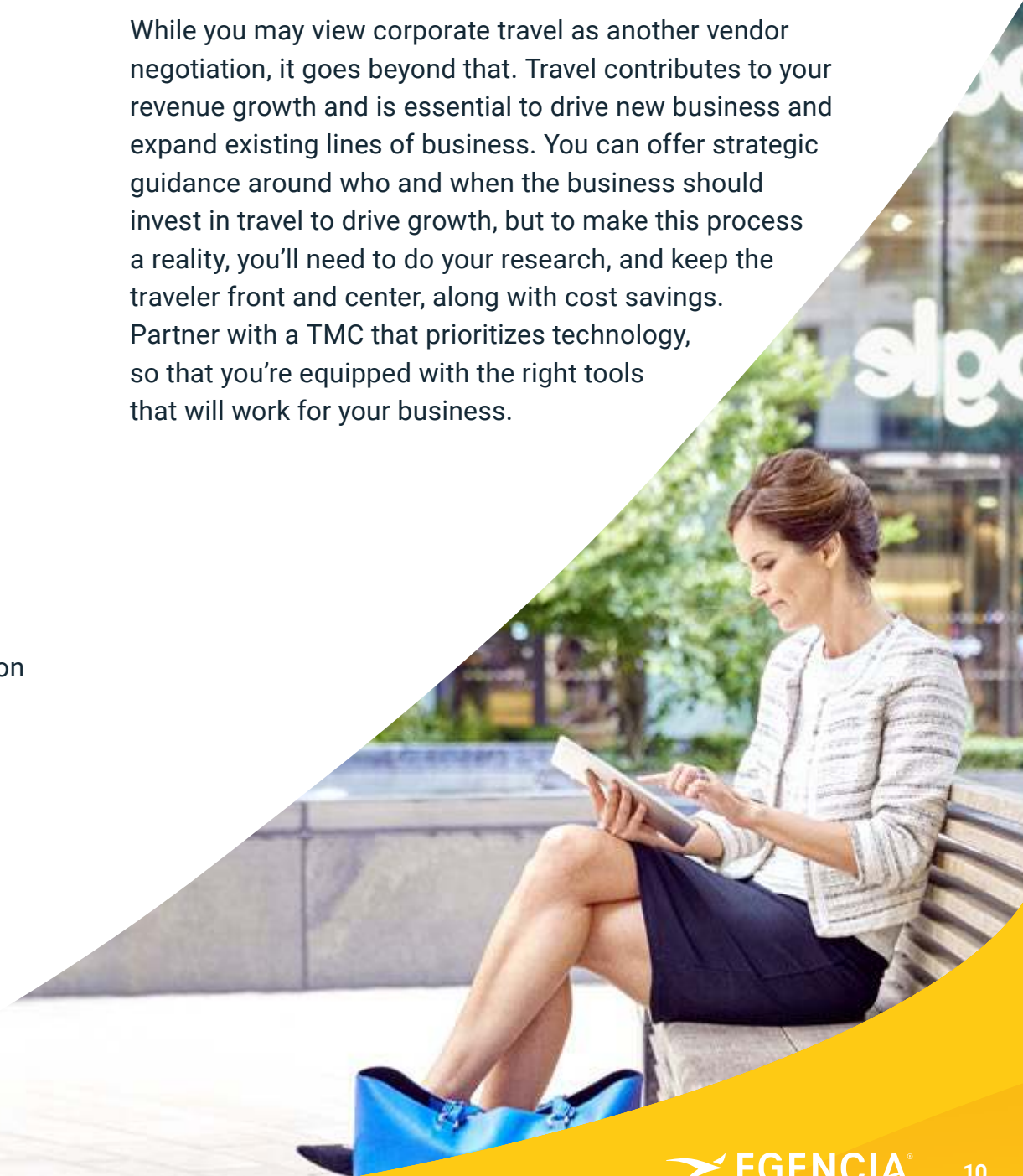
- **Traveler risk management**

Traveler care should start before employees begin searching by allowing your travel team to control where employees travel or limit the number of travelers on the same flight. They should also provide specialized services, including traveler tracking and alerts, international healthcare, medical assistance, security services, ground security, and expatriation for organizations.

- **People**

Experienced, innovative, and agile. All employees of a full-service TMC should have those three qualities. From agents that your travelers and travel arrangers interact with on a daily basis to dedicated program managers that truly understand your company's culture and goals.

While you may view corporate travel as another vendor negotiation, it goes beyond that. Travel contributes to your revenue growth and is essential to drive new business and expand existing lines of business. You can offer strategic guidance around who and when the business should invest in travel to drive growth, but to make this process a reality, you'll need to do your research, and keep the traveler front and center, along with cost savings. Partner with a TMC that prioritizes technology, so that you're equipped with the right tools that will work for your business.



Contact us

The challenges you face today are never the same ones you faced yesterday. That's why business travel should just be, well, easy. And that's why there's Egencia — the world's leading business travel technology service. We constantly re-imagine how to give you the convenience, support, care, and simplicity you need to make business travel as easy as it can be.

Want to know more?

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