Cost & Capital

February 2012

Travel Management

Category Sourcing Guide

- **Corporate Travel, at $838 Billion Worldwide, represents one of the largest controllable cost categories for companies.** Despite higher demand and rising costs, effective management of the travel category can manage spend and increase service levels.
- **Procurement's role in corporate travel is increasing.** Applying procurement tools such as benchmarking, consolidation, negotiation and demand management can deliver savings of 50% or more in some cases.
- **Assessorial charges and fees have been introduced by providers and travel management companies.** These fees are often referred to in negotiations as "junk on the lawn." The intent is to put fees and charges on the table to be traded away. Most corporate customers are not expected to pay these fees.
- **Effective travel management must coordinate policy, rates and service levels.** The complexity and breadth of requirements to execute a best-in-class travel management program requires alignment with internal stakeholders, travel management third parties and service providers.
- **Benchmarking can show achievable targets.** Unlike other spend categories, external benchmarking of travel highlights rates and service levels secured by peer companies for similar and often identical providers.

Authors

Tom Bokowy
+1 208 610 0032
tbokowy@costandcapital.com

Ryan Hatcher
+1 617 459 0356
rhatcher@costandcapital.com

Sebastian Fritz
+1 646 620 4204
sfritz@costandcapital.com

***Cost and Capital Partners** is a management consulting firm that works with companies to improve cost and capital efficiency. Our client base includes Fortune 1000 companies from the industrial, automotive, electronics, hospitality, process, consumer goods, transportation and white goods industries. We work with clients to improve results and enhance visibility for strategy development. Supplier engagement is a core focus ranging from direct supplier negotiations to market and financial viability assessments. In addition to working with clients to execute sourcing initiatives, we also deliver sourcing training that enables organizations to increase their level of professionalism in supplier engagement.*

*For more information please visit our website **www.costandcapital.com***

Table of contents

Introduction

Effective travel management requires an organization to have visibility into their spend, an approval process to direct and sometimes to restrict spending, rate optimization and the required documentation to track and manage the safety of employees. While most organizations use travel agents to manage travel, the value derived from their travel programs differs. According to American Express, travel and entertainment typically represents the second largest controllable expense for corporations. Tools to maximize the value from travel include consolidation, leverage, benchmarking and demand management.

Best in class travel management programs balance the business need for travel and employee morale with cost management to deliver shareholder value. Since travel affects the majority of employees in a company and nearly 100% of the senior leadership, this category can become fraught with political tradeoffs and external influence into the sourcing process. Everyone agrees that that there is a difference between the Best Western and Hyatt as well as a coach flight with 3 connections compared to business class direct. What everyone has difficulty agreeing to is the value of one option to another.

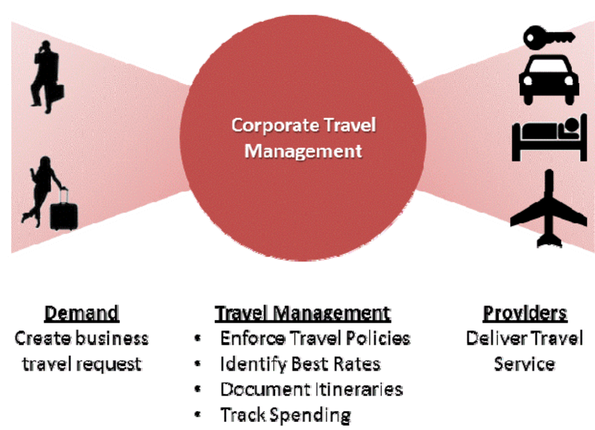
The responsibility for managing travel is increasingly coming under the domain of procurement. The ability of a procurement organization to perform a spend analysis, benchmark rates, audit fees, set service levels and leverage volume can yield savings of 50% compared to unmanaged travel.

Industry Overview

In 2010, companies spent about $838 billion for corporate travel and expenses, with the US representing about one third of the global market. According to American Express, travel and entertainment (T&E) is typically the second largest controllable expense for corporations (after salaries and benefits) and represents about 7% of an average company's overall spend.

The role of corporate travel management is to coordinate the needs of employees with travel service providers—airlines, hotels, car rental, etc. As seen in Figure 1, travel management must deal with a large number of users creating demand for travel services with a number of providers based on geography, needs, service levels and volume. Each user typically has unique needs such as the class of service, timing, pricing limits and the value of their travel need. When corporate travel management is at its best, it aligns the costs of business travel with the value to the organization for travel. Striking this balance is difficult. The right decision is not always the cheapest cost or the fastest and most comfortable option. Each user will value the timing and service differently. It is the role of corporate travel management to create the process, structure and policies to manage a large and unique spend. Most corporations use a third party to manage this spend to deliver the best prices for providers and enforce policies to limit demand.

Figure 1: **Travel Management Illustration**

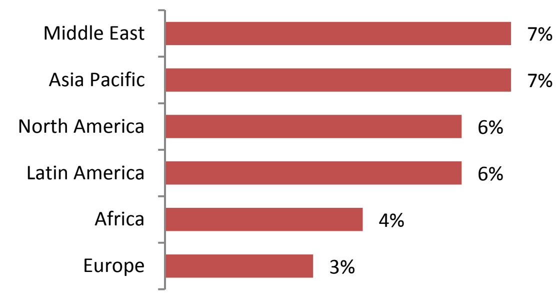


About 18% of the global managed corporate travel market is dominated by the four biggest travel management companies (TMC): American Express, BCD Travel, Carlson Wagonlit Travel and Hogg Robinson Group. Each reported 5-10% growth rates in transaction volume for 2011 compared to 2010. The level of involvement and value delivered by TMCs can range from simply documenting travel spend to acting as a source of savings and leverage. Organizations that leverage the rates, pricing systems and apply proprietary compliance processes to ensure fidelity to corporate contracts, organization approval and preferred providers will extract the most value from their programs.

After a decrease during the recession in 2008 and 2009, corporate business travel grew steadily in 2010 and 2011, with both demand and prices returning to pre-recession levels. Airfare and car rental rates have returned to pre-recession levels, while hotel rates lag pricing levels previously achieved. The International Monetary Fund (IMF) forecasted global output to increase by 3.3% in 2012, leading to an expected growth in corporate business travel by 4-5% and with an average annual growth rate of 4.3% over the next decade.

As demand for travel increases to meet the needs of business growth, so have many of the costs. Airlines in the US and Europe continue to consolidate and trim unprofitable routes, thus increasing pricing. Each $10 per bbl. increase in crude oil translates to a 3% increase in airfares. Airlines are also increasing assessorial charges such as credit card processing fees in Europe, and change fees and phone based support fees worldwide. Providers are set to increase rates to reflect the additional cost inflation as well as react to increasing market demand. Figure 2 shows the average hotel rate increase estimates for 2012 by region.

Figure 2: **Hotel Rate Increase Predictions 2012**



Source: Advito 2012 Industry Forecast

All these factors force enterprises across the globe to approach T&E more strategically and to find new solutions to realize value from their expense management programs. Many T&E processes are still manual, highly inefficient and policy compliance is difficult to monitor. These are seen as the biggest areas of improvement, according to a recent study conducted by the Aberdeen Group.

Automation is a key industry trend and is seen as a good way to deliver tangible benefits around cost containment, productivity, satisfaction and compliance to company policies. Technology and software developments give clients the ability to audit pre-trip, ensure policy compliance, and review process exceptions.

For each element in the travel management process, corporate management must set service levels, track compliance, measure the actual spend, benchmark to identify the best rates, and set expectations for the providers and travel management firms. Using the benchmark data provided by TMCs is one step to measure current performance and quantify the amount of savings that is possible.

When using a TMC, setting expectations early in the process will extract the most value out of using a third party to manage the travel spend. Most TMCs will want to showcase the savings they have delivered for the organization. This data needs to be challenged to ensure that the best airfare, hotel and car rental rates are provided to the company travelers. Best in class corporate travel management will set the metrics and KPIs for the TMC to report and be measured against. In these cases, the TMC should be measured on the rate history compared to external benchmarks, quality performance, class of service provided and compliance to corporate policies. When setting rate benchmarks, it is important to utilize tools in addition to the TMC's report of the savings achieved. Many times, as can be seen in this paper's case study, the actual rates for many corporations are higher than the rack rates that any traveler could have achieved just by using the internet to book the same travel. Measuring the TMC on performance to external metrics can highlight how well they perform and the actual leverage they have in the market.

The compensation structure for the TMC can also create conflicts of interest between the volume bonus they receive from the carriers and hotels and the rates they pass along to their corporate clients. In these cases, it is imperative that the corporate travel management function identifies benchmark rates to challenge and measure the efficacy of their travel partner.

A part of the value of using a TMC is to receive reporting and spend analytics for the travel buy. Corporate travel management should set expectations in terms of the reporting level of detail, frequency and which external benchmarks will be used to quantify savings and service levels.

Spend Visibility

One of the most challenging and important areas for travel managers is having detailed visibility into their spend. Typically, standard tools available to buyers such as expenditure reports or aggregated purchase orders are not internally available since much of the data is tied to personal or corporate credit cards. Oftentimes, this data can be captured in a structured manner by service providers or TMCs. Key data relating to vendor, volume, price, service levels should be aggregated on a monthly basis to ensure compliance and monitor progress of relevant volume expectations for upcoming negotiations. Figure 3 outlines the level of spend detail that is useful for tracking compliance and preparing for negotiations.

Figure 3: **Key spend categories by medium**

Category	Air	Hotel	Car Rental	TMC
Price	Cost per Ticket	Cost per Stay	Cost per Rental	Cost per Transaction
Location	Key Origin-Destination Pairs	Key Markets	Key Markets	Regional/ Global
Volume	Total Tickets	Total Nights	Total Days	Total Transactions
Provider	Top Suppliers (Regional or Global)	Top Suppliers (by city)	Top Suppliers (by Region)	Supplier (Regional or Global)
Service Level	Ticket Class	Room Type / Number of Stars	Vehicle Type	Response Time, Live or Online
Ancillary	Baggage, Change/ cancel fees, Food Lounge Access Internet Airport Transfer Insurance	Internet Breakfast Parking Lounge Access Shuttle Phone	Insurance GPS Fuel	Expenditure Reports Travel Consulting Passport Services

Source: Cost & Capital analysis

Prior to negotiations, buyers should pay close attention to travelers' usage of services and ancillary fees. For example, charges such as checked baggage or change fees can rapidly eliminate any savings on airline tickets if they are not taken into account during initial negotiations. As illustrated in Figure 4, extra fees for airlines can account for a significant portion of travel spend if not managed properly. Ancillary fees are greatly influenced by travel behavior. Basic surveys can be distributed to employees to understand the desire for various ancillary services. The survey results can then be compared to actual spend data. This comparison will allow travel managers to understand which items are "nice-to-have" (e.g. services that are merely desired by travelers but not used in practice) and must-haves (i.e. are desired and used by travelers) which should be included in negotiations.

Figure 4: **Total Cost of Travel (Airline Ticket)**

Ticket Price	\$370
Ticket Change Fee	\$125
Baggage Fee	\$23
On-board Wi-Fi	\$11
Seat Upgrade	\$60
Total	\$589
% Ancillary	59%

Source: C&C Research, Bureau of Transportation Statistics. All prices are average prices throughout all airlines

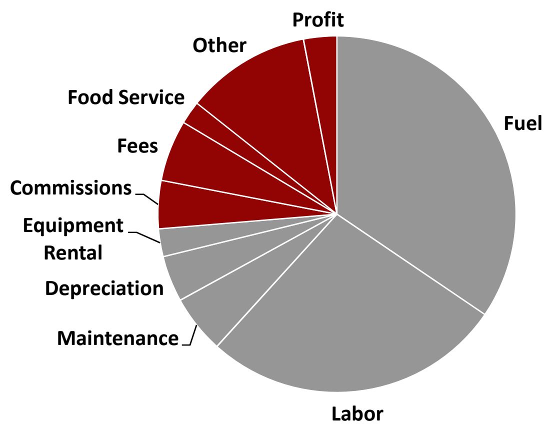
Opportunity Identification

Once the spend visibility process is complete and a thorough spend map is prepared, an organization can begin to identify the savings opportunities. There are four key tools to optimize travel spend: Leverage, Demand Management, Consolidation and Benchmarking. These tools can be used on the categories of airfare, hotels and car rental once the spend visibility is complete.

Leverage

For most travel services, the marginal cost is low. For an airline, the cost of carrying one additional passenger only includes commissions to book the ticket, a negligible increase in fuel due to the weight, food, landing fees and taxes. As seen in Figure 5, most costs are fixed and include the crew and ground labor, fuel, depreciation, marketing, overhead and maintenance. Being able to leverage volume on specific routes and increase volume is how best in class airfare managers can deliver savings while helping the carrier to achieve their financial objectives.

Figure 5: **Airfare Cost Model**



Source: Cost and Capital Partners Financial Analysis

To determine the amount of leverage available, the spend analysis should highlight the major routes by volume, frequency, class and rates. This data can then be analyzed to determine the level of competition, capacity utilization and total contribution the additional volume will contribute to the airline's cash flow. With high fixed costs, the airline can model how the additional volume can fill out existing routes or justify new service starts. These advantages for the airline allow them to offer corporate pricing at a significant savings to standard rates, especially for high profit services such as international business class fares as well as the elimination of assessorial fees that are typically charged such as payment fees, phone service fees, change fees and baggage fees.

Similar to airlines, the majority of hotels' costs are fixed or semi-fixed (e.g. Debt Service and Renovation 33%, Employees 30%, Other Operating Expenses 23%, Energy 8%, and Sales & Marketing 6%). To maintain profitability, most large hotels must maintain a minimum average occupancy of 50-60%. In markets with low average occupancy or seasonal shifts in conventions and tourism, business volume can act as a buffer. This can allow travel managers to achieve deep discounts if a relatively steady high volume forecast can be provided to the local sales manager. As with air travel, a spend analysis must first be conducted on the major markets where travelers are most likely to stay. Lower volume locations can be bundled and negotiated at a higher level or even left to TMCs to manage. In competitive markets, it is very likely that ancillary fees can be included in the room rate at little to no extra cost. Such ancillary fees should coincide and be included in the company's travel policy to limit confusion or double spending.

For the last few years, Marriott International's sales employees have had access to the use of a tool called Group Price Optimizer. The goal of this tool is to increase revenue and profitability by improving the manner in which Marriott determines pricing for group business. This IT solution uses price elasticity models to allow sales managers to set rates locally or across hotels depending upon dynamic market conditions. This competitive bid response model allows sales managers to understand profitability at various volumes and price points. The fact that hotel sales managers now have access to sophisticated IT solutions such as the Group Price Optimizer make negotiation preparation and market analysis even more important for travel managers. Although these types of tools mainly benefit the hotels, they do allow sales managers to respond rapidly to buyers' requests for quotes, thus reducing the overall sourcing timeline.

Key levers for car rental companies are relatively similar to hotels in that volume, which is measured in rental days, is extremely important. Again, it is important for travel managers to understand the demand at a city or regional level to gain ground during negotiations. This understanding will help align buyers to sales employees or local franchise owners who are concerned with metrics such as number of days a car is rented divided by number of days a car is owned. Travel managers should also ensure that a consistent policy exists regarding the level of car to be rented.

Spend on ancillary items such as insurance and GPS should be reviewed prior to any rate negotiations. The prevalence of mobile phones with GPS and credit cards that cover rental insurance makes a proper travel policy extremely important in the rental car space. Surveying frequent travelers and regularly reviewing travel policies such as only using a corporate credit card to rent cars can help travel buyers focus on only the important ancillary fees during negotiations. Eliminating insurance and GPS can reduce the daily rental fee by ~50% or more in certain markets.

Demand Management

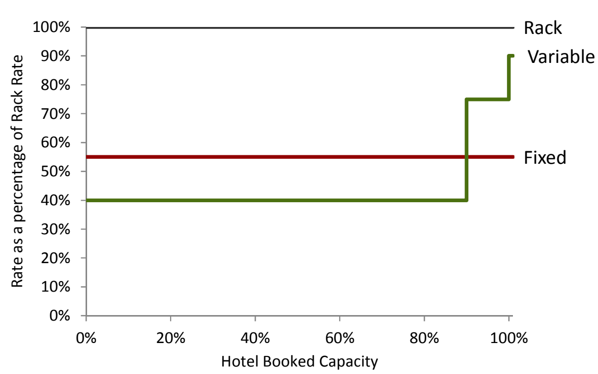
The least expensive business trip is the one not taken. Demand management is the process of enforcing travel policies that limit trips, selecting the best provider rates and encourage behavior that reduces costs. To be effective, travel policies need to be clearly communicated, easy for users to comply and enforced through the travel submission process.

Travel policies can be used to limit travel based on seniority, authorization or function. In addition, policies can encourage behaviors that reduce costs such as online booking, directing spend to preferred providers and automating the authorization process. Automating the validation of travel plans can ensure users book the right class of service, receive approval and use the preferred service providers. These actions work to maximize the power of the organization and apply a standard set of principles.

Consolidation

Travel service providers traditionally have a cost structure that is high in fixed cost investments such as airplanes, buildings and IT systems. Winning volume from corporate customers helps to aggregate volume and leverage their costs. One strategy to balance the need for volume with the desire for extracting value from their services is to set up agreements with service providers that include variable pricing (Figure 6). In this case, the provider maximizes revenue while also filling capacity with corporate volume at the best rates. IBM, one of the leaders in the hotel benchmarking case study, is able to leverage both its size as well as the fact that hotels want to fill up their open capacity, but not lose their opportunity to secure the most profitable users. To work with hotels, IBM has rates based on the capacity of the property. The rates start off lower, typically the lowest in the market, but as the hotel increases its load, the IBM rate increases. This way, the hotel can make higher margins as demand increases. IBM can choose the higher rate or revert to a lower rate with a backup location. This model maximizes the value of the volume to the property but also allows the hotel to increase incremental margin during times of high demand.

Figure 6: **Hotel Pricing Models**



Source: Cost and Capital Partners Financial Analysis

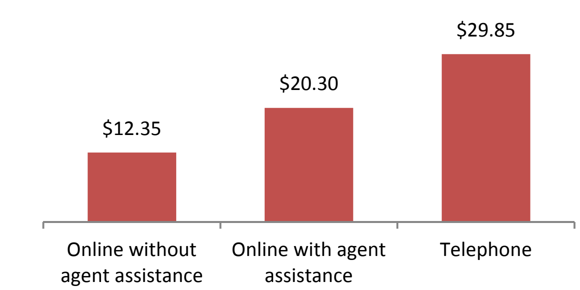
The downside of a variable model is that realizing savings from such a program is dependent upon external factors such as overall demand in a region, conferences and peak days. The complexities of measuring the value of this kind of program also limit adoption for most organizations.

Benchmarking

Providing travel service is a combination of understanding the costs and market. Some categories are driven by underlying costs, while others are priced based on market demand. In these cases, external benchmarking can prove to be very effective in securing better rates. As seen in the hotel benchmarking case study, the prices that other companies can achieve in addition to alternative booking methods, can highlight the range of prices in the market.

To achieve better prices requires using consolidation as well as the visibility into the spend to understand the nights spent at hotels in a particular city, the number of flights on particular origin and destination pairs and the days of car rentals. External benchmarking can help to identify the floor prices in a particular market and begin to start negotiations. For spend such as hotels, knowing the distribution of spend in a particular city can help to highlight the value of consolidation and sell the opportunity to the service provider. Utilizing benchmarking to identify the best rates and then leveraging volume to show how it will support the sales goals of the individual hotel can motivate local sales managers to offer their best rates.

Figure 7: **Average Gross Per-Booking Fees**



Source: Business Travel News Corporate Travel 100 2011

Benchmarking is also effective for negotiating with TMCs. Figure 7 is a list of rates TMCs charge for various booking methods. Many service providers use extra fees and charges to supplement revenue streams. Many firms are able to eliminate online booking fees since the provider does not incur any additional costs to perform.

Since most organizations cannot negotiate rates in every location, a combination of benchmarking rates on the highest use markets combined with corporate discount rates often works best. Unlocking the value of benchmarking also requires full spend visibility for the team to prioritize the biggest opportunities to leverage volume and secure savings.

Negotiation Preparation

Preparation

Once opportunities have been identified, a travel buyer can begin to prepare for negotiations. The first step in the process outlined below, in Figure 8, is to conduct a detailed spend analysis. All of the areas previously identified in the Spend Visibility section should be taken into consideration. Merely taking into account spend per supplier will not sufficiently prepare the organization to identify and achieve aggressive targets. Service levels (e.g. ticket class, hotel level, and car type) and locations are key data dimensions that must be taken into consideration for each major travel market.

The next step is to compare actual spend data to existing policies. It is important to determine where and how ancillary fees are being utilized by travelers. Typically the less fees or extras that need to be considered, the easier the negotiation will be for the buyer. However, a buying organization can and will lose any savings advantage if proper ancillary fees are not considered upfront. Additionally all ancillary fees should be included in the organization's travel policy. This will help to ensure that travelers spend in the proper manner and are held accountable for rogue spending. It is extremely important to gain organizational signoff on any proposed changes to the travel policy or level of service required by travel service providers. Travel negotiations held on the wrong foundation will inevitably be a wasted exercise if users and management refuse to utilize the selected vendors.

A market analysis is particularly important when preparing for travel negotiations. It is vital to understand service provider options as well as current capacity utilization in high spend markets. Typically, a TMC or even local offices can help provide insight into a global organization's far flung markets. This type of information is often available free of charge from a client's TMC since this is part of their value proposition. Once key markets and expected volume within those markets have been identified, a bid list can be created. Since service providers such as hotels, car rental companies, and airlines are oftentimes in tight competition for similar markets and routes, it is best to have an extensive bid list. When initially reaching out to travel service providers it is also beneficial for a travel buyer to indicate that their company is looking to find a preferred supplier in several key markets. While not a commitment of volume, this preferred supplier approach can help motivate travel service providers to be more aggressive when quoting business.

Once preparation is complete, it is best to execute the RFQ in a rapid and standardized manner. Negotiations can either be held via e-auction or face to face. It is our experience that face to face negotiations which clearly communicate the advantage to the hotel if they win the business are most effective for achieving savings. In this case, it is best to highlight the expected volumes (e.g. total nights for hotels, days for car rentals, and number of tickets for airlines) on an annual basis. The service provider should be requested to provide an aggressive quote during the first round. Depending upon volume, the service providers may quote extremely aggressively (i.e. over 50% below rack rate). The aggressive nature of this quoting can sometimes catch an inexperienced travel buyer off-guard and may exceed initial expectations. For this reason, it is best to refrain from providing targets to the suppliers during the first round. Once results are achieved, targets can be reviewed with management and communicated to suppliers during the second round.

Once negotiations are complete and business is awarded, it is vital to communicate the new list of preferred vendors to any relevant TMCs as well as the organization as a whole. Obviously any negotiated savings cannot be achieved until travelers begin to utilize the new vendors.

Figure 8: **Travel Negotiation Process**

Internal Spend Analysis	Usage Analysis & Policy Review	Market Analysis	RFQ	Negotiation Preparation	Negotiation Execution

• Gather spend information
  • TMC
  • Internal Systems
  • Corporate Card Provider
  • Service Provider
• Review level of detail
  • Spend by supplier, city, service level
  • Ancillary data
  • Volume (e.g. number of nights, airline tickets, rental days)
	• Review policy vs. spend data
	• Determine necessary changes to travel policy
	  • Ancillary
	  • Service level
	  • Order method
	• Receive approvals for policy changes
	• Communicate travel policy changes to organization
		• Determine key markets
		  • City
		  • Region
		  • Country
		• Review capacity in key markets
		• Set volume expectation by market
		• Select target suppliers (i.e. bid list) by market, spend category, and service level
		• Review bid list and service levels with relevant management
			• Determine RFQ method
			• Refine bid list
			• Determine initial savings targets
			• Distribute RFQ to bid list
				• Set negotiation strategy
				• Finalize market strategy
				  • Preferred supplier or tiers
				  • Volume commitment?
				  • Ancillary to be included in base rate?
				  • Must-have ancillaries
				• Finalize savings targets
				  • Base rate
				  • Ancillaries
				• Develop negotiation agendas based on targets and RFQ responses
					• Round 1
					• Communicate targets/ expectations (optional)
					• Round 2
					• Communicate final targets
					• Supplier selection
					• Communicate updated supplier list to organization and relevant TMC

Source: Cost & Capital analysis

Segregation of Duties

Prior to engaging a TMC, or when switching to a new provider, a client company should be well aware of its spend by market, category, and service level. This will allow aggressive savings targets to be assigned to their designated TMC when business is awarded. Depending upon organizational bandwidth, it is also beneficial to negotiate initial agreements in major markets. This will force the TMC to focus upon more challenging markets where limited competition or lower volumes can hinder savings opportunities. Client companies should work together with their TMC to set process requirements. Oftentimes, TMCs have well defined systems and processes which can help to create savings opportunities and monitor policy adherence.

Figure 9: **TMC vs. Client Tasks (Mature State)**

Task	Client	TMC
Preparation		
Requirements	Responsible	Support
Data Collection	Support	Responsible
Expectation		
Internal Policy	Responsible	Support
External Benchmarks	Support	Responsible
Negotiation Execution		
Key Markets	Responsible	Support
Other Markets	Support	Responsible

Source: Cost & Capital analysis

Apart from process control, a major advantage of utilizing a TMC is access to market analysis and benchmarking (e.g. market benchmarks, policy benchmarks, ancillary/ service level benchmarks). TMCs are also capable of collecting and aggregating data in an efficient manner. Once a TMC is in use, these types of duties should be primarily performed by a TMC rather than the client company. Figure 9 illustrates which duties should be performed by a TMC and which should be performed by the client once a mature relationship exists.

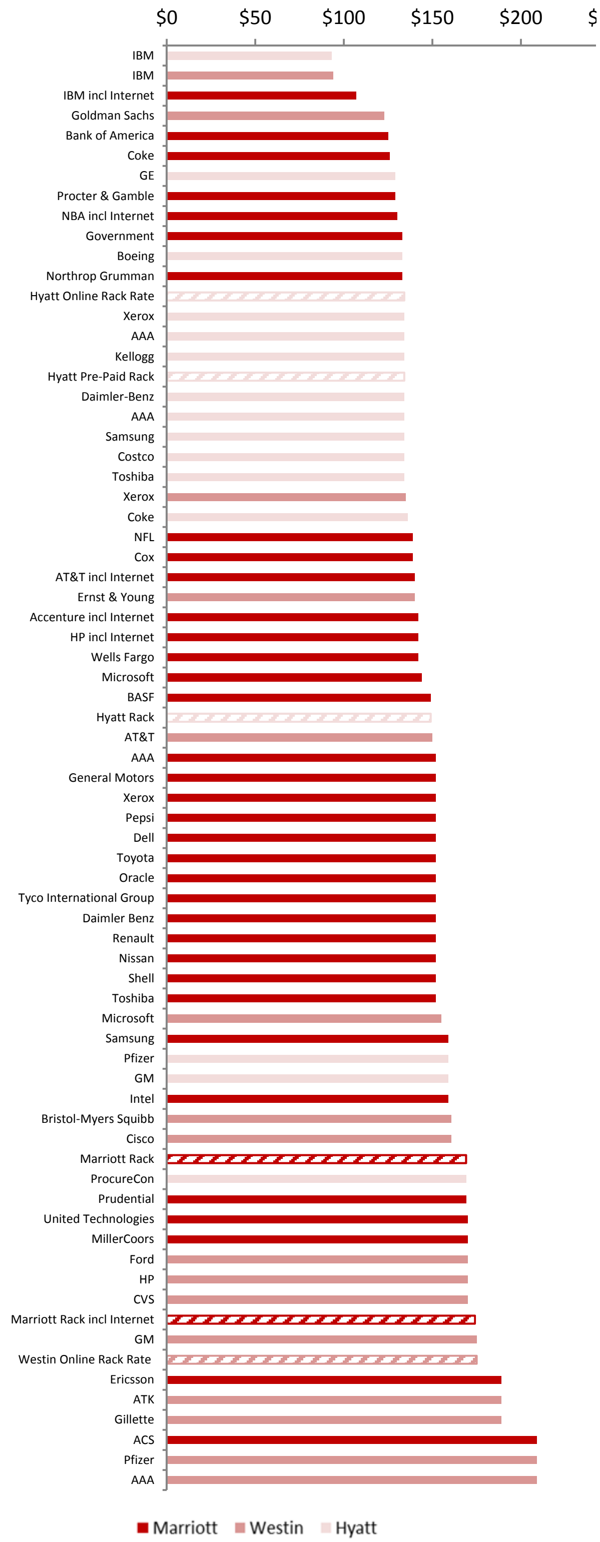
Case Study: Hotel Rate Benchmarking

Part of the challenge in quantifying travel management programs is to understand not only the fees being paid to TMCs but also the rates that are able to be achieved with the providers. The sourcing tools identified, when applied well, can leverage volume and use the market to drive the best rates.

Cost and Capital recently conducted a detailed study of corporate rates at several four star hotels within two blocks of the ProcureCon Indirect Sourcing Conference in downtown Atlanta. The hotels studied were the Atlanta Marriott Downtown, the Hyatt Regency Atlanta, and the Westin Peachtree Plaza. As can be seen in Figure 10, corporate rates for these hotels range from $93 to $209 per night (before taxes), or a difference of 125% from lowest to highest. These corporate rates range from 47% below rack (IBM rate at the Westin) to 20% above rack (ACS at the Marriott). IBM, Coca Cola, Goldman Sachs, Bank of America and GE had the lowest rates. Companies such as IBM and GE are known for having large, well-managed, corporate travel budgets and frequently achieve rates well below rack across the country.

It is important to note that company size does not always equate to large discounts. This can be seen by the rates for General Motors, Pfizer, and United Technologies. Large companies can have high rates for a variety of reasons, but oftentimes high rates are a result of poorly leveraged spend. Only a well-structured travel policy and negotiation approach can ensure competitive market rates. It is important to note that any base rate savings will result in a tax savings multiplier. Taxes in many cities range from 15%-30% per night. This tax multiplier should be considered when creating a business case to tackle travel savings in any market.

Figure 10: **Atlanta Four Star Hotel Rates, Feb. 2012**

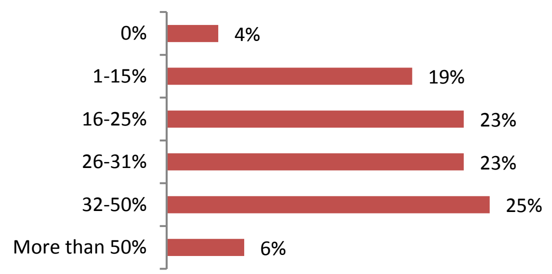


Source: Cost & Capital research

Conclusion

Successful implementation of a travel management program requires data visibility, understanding of the available tools and engaging service providers with information and leverage to motivate their performance. The rewards of a well-executed travel program include improved service levels, reduced costs and automated management. Each corporation will have a different profile and value proposition to the various providers of travel. The challenge is to understand what aspects each provider is going to value and also how well they understand their market and the benefits of corporate volume.

Figure 11: **Average 2011 U.S. Corporate Hotel Rate Discounts**



Source: Business Travel News Corporate Travel 100 2011

The opportunity is clear. Managing corporate travel can reduce costs through leveraging volume and setting targets based on the market. When done well, costs can be reduced by 50% or more. Organizations that are going to be successful need to aggregate spend, prioritize the best opportunities based on the where the organization uses travel, apply the tools which will be most effective and execute with a well-defined corporate policy enforced through the travel requisitioning process.

With a myriad of areas to optimize costs, the focus from a procurement perspective should be on the total value created. The levers to create value start with defining policies and supporting processes at the beginning to manage the consumption of travel. The next step is to work with TMCs to collect usage history. This enables a discussion on travel management fees as well as the process that will be used to ensure compliance. Finally, most large organizations should negotiate directly with the carriers and hotel properties for the major spend as the leverage position for the volume of business will typically result in better rates than the overall rates that TMCs can secure as a whole.