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QTravel Program Review  
Sub-Report 3: Lessons Learnt Review

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### The Nature and Purpose of This Report

- This document contains various things that Butler Caroye and GoldSpring have learnt and experienced in our years of travel management consulting to corporate and public sector clients. These are not drawn from or about Queensland Government, but are examples of travel management experiences elsewhere to help you in the future.
- Some of the items are not within the scope of the project. But we see this report as an opportunity to pass on significant learnings that we think will be of ongoing value to you.

## A: Tendering and Negotiation (8 Items)

### 1. Two Supplier Teams

- The TMCs provided good responses to a detailed RFT. In the assessment and negotiation process, the procurement team checked and tested the terms diligently. A detailed service level agreement based on KPIs within a tight contract was signed. The winning TMC had agreed to a reasonably detailed implementation plan that locked in tasks and dates. Once they had won the tender, the TMC staff we had dealt with were replaced by different operational people. There had clearly been too little communication between the TMC's sales and operational staff. Commitments were made by the salespeople that could not be honoured. The actual implementation time needed was two months longer. The online booking tool could not handle changes. Some overseas offices were not actually controlled by the TMC. The offered account manager was not available. There were several other issues.

**Lesson:** Ensure that operational managers from the TMC are involved in the tender. For example, they managers from operations, HR, IT and finance should attend interviews with short-listed candidates where firm commitments are required. And be aware that TMCs tend to over-sell and under-deliver generally.

### 2. Strong Arming by Qantas

- The buyer had a key supplier contract with Qantas, as per the usual arrangement where Qantas require 90%+ domestic market share and 60%+ international market share.
- Near the end of their contract, the buyer wished to renegotiate to renew and achieve better terms with Qantas based on increased expenditure about 20% higher than the threshold in the expiring contract. This was seen as an efficient and sensible alternative to a full tender since Qantas would clearly be the key supplier anyway.
- Qantas' response was to raise the volume threshold, increase the domestic market share threshold, and rejig the discounts. An analysis of the effective weighted domestic discount showed that it increased by less than half a percent.
- Also, Qantas refused to define market share as a percentage of spend on only Qantas flown routes. They insisted on no change to the existing wording whereby the lack of any definition of market share defaulted to the basis for the calculation being all airline expenditure. We and the buyer regarded this as inappropriate since market share should not be delivered through routes where Qantas had no services.
- Also, Qantas would not include Jetstar in market share calculations despite the shift in their services to Jetstar. Qantas gave a 6 week deadline and the contract was signed on their terms.

**Lesson:** Even in the current market with reduced domestic competition, Qantas needs to be made to seriously compete. If a full tender process is not used, then competitive negotiations with multiple airlines are needed, especially if there is a significant amount of international air spend.

**Additional Note:** You have asked why we think competition between domestic airlines will decrease. We expect competition in the Australian domestic airline market relevant to business travel to decline. Each route may be regarded as an individual discrete market place. As the service networks stand with Qantas/Jetstar, Rex and Virgin, Qantas/Jetstar dominates on a large majority of routes following the collapse of Virgin. The increase of routes by Rex and the rebuilding of a smaller lower cost version of Virgin have not filled the gap substantially. Looking ahead, operating conditions do not favour the continuation or growth of low cost services. Demand is now

recovering quickly. But fuel costs seem likely to remain high, and might increase further into 2023. Staff costs will certainly increase and remain high. Airport costs have similarly risen. For a period, some aircraft leasing costs will remain lower. In our view, the result will be to make airline operating costs higher into 2023 and perhaps beyond, making the low-cost-carrier model difficult to sustain.

- Regarding the new regional entrant Bonza, its model is ultra-low-cost, making its future quite uncertain. We question the quality of its management and the track record and intentions of its owners, 777 Partners. Its initial network does not include many routes of use to Queensland Government. The only capital city serviced is Melbourne. As with all LCCs, its services are unlikely to match well with the typical departure and arrival times needed by business travellers. Our guess is that the airline's business case is based on high demand for domestic routes caused by an ongoing shift from international to domestic leisure travel. These conditions will probably persist into 2023, but beyond that, international leisure travel will likely fully resume, and the "captured market boom" will fade. The Australian domestic airline market has a history of failed ventures, including Compass I and II, Tiger, SkyAirWorld, Transair and Ozjet.

### 3. Hotel Rate Negotiation Deficiency

- An automated hotel tendering system was used by a large corporate, with the tendering process run by the TMC. The settings in the tendering system were configured so that properties needed to offer only net, non-commissionable rates based on last room availability (LRA). In all facets, this was a typical large corporate accommodation tender.
- A review of accommodation raw booking data about 15 months after the new rates were loaded showed that availability of contracted rates had decreased markedly, on average by over 20%, with some CBD properties showing availabilities of under 30%. The effect of the tender had been to successfully lower contracted rates but to increase accommodation costs per room night due to falling availability of offered rates.

**Lesson:** Contracts with properties should specify minimum acceptable availability outcomes. LRA cannot be policed. TMCs have a commercial incentive to make lower available net rates seem unavailable so they can book a higher rate that earns them a commission.

**Additional Note:** You have asked whether commission-chasing would also apply to hotel aggregators. The answer is yes in principle, but probably less so in practice. The reason is that TMCs are engaged to book accommodation from all channels. With larger clients, they of course are required to book from preferred hotel programs with inventories of client-specific identifiable rates. But this is difficult to monitor and most clients do not track preferred rate usage. The "culture" within a TMC of "up-selling", where it exists, typically spills over into large clients with hotel programs, and commission-chasing is systematised. With aggregators, the booking from preferred rate programs is the large majority of their business. They deal with larger better resourced clients who are more likely to check. The upselling culture tends to be less prevalent. But this does vary per aggregator.

**Additional Note:** You have asked whether commission-chasing can be controlled by KPIs. A well worded tight KPI can and certainly should be in place. But the problem is measuring commission chasing. With the right fields specified in raw bookings data that identifies hotel rates by type (contracted/not, commissionable/not) the availability of contracted program rates can be measured per property and overall. Low availabilities with booking of higher rates signal a problem. But then it is difficult to attribute the cause. The cause can be (1) genuine unavailability at the property, (2) artificial unavailability at the property (irrespective of LRA), or (3) artificial

unavailability by the TMC (The contracted net rate is available but the TMC books a higher rate that is commissionable to earn the 10% commission.) This practice is driven if the contracted rates are net (non-commissionable). If non-availability is found, with a KPI in place that puts at least some onus on the TMC, the matter can be pursued. A threat of an audit can be effective. This requires cooperation from the property or hotel chain, which might not be forthcoming, but the attention to the issue can bring the TMC into line. We are not suggesting that all TMCs chase commissions through up-selling. But it certainly does occur due to the difficulty of prevention.

#### 4. Good Process Messaging, Especially at the Industry Briefing

- Several times over the years I have heard TMC sales managers say that they are selective about which tenders they respond to, and in particular, say that they may not respond to a tender if they have “no relationship” with the buyer. This has surprised me because in my tenders it is an even playing field, and every candidate starts the process with an equal chance. And so I’ve found that it is useful to make the fact of process integrity clear and prominent in the RFT and early communications. Especially with larger tenders, and with public sector tenders that need to be open, industry briefings at the beginning of the response period are useful. The “equal chance” message should be delivered at these briefings.
- The vast majority of travel tenders are of course genuine. But some are perfunctory processes with a predetermined outcome. For example, I was initially involved in a university’s tender where the incumbent was protected due to a sizeable donation. We can forget that responding to RFTs is costly, and that TMCs have good reason to be wary.

**Lesson:** Don’t assume that the suppliers regard your tender as a fair and even process, and that they will all eagerly compete without reservation. Even though it is obvious to you, the integrity of the process should be guaranteed and demonstrated upfront.

#### 5. Combining Business Travel and Events Without Due Caution

- Whether and how to combine the two types of accommodation expenditure have been perennial questions for decades. The difficulty is that larger scale meeting and event spend is hard to foresee with sufficient certainty and detail, and so is difficult to commit to hotels or chains in advance. One corporate analyzed their event spend and committed a large chunk of it to a hotel chain. However, the many people across the organisation who had been managing and booking events did not cooperate. They perhaps felt an intrusion onto their territory. The process caused a good deal of dissent and became more trouble than it was worth. The hotel chain offered only an extra 1.5% discount applicable to its more expensive brands. And the opportunity cost was that there was no per event competition between properties.

**Lesson:** Event and business accommodation expenditure indeed *are* difficult to combine to go to market. Consider the actual value against the loss of choice and competition per event. And culturally within an organisation, event management can be sensitive and difficult to centralize.

#### 6. Tender Result Feedback to Unsuccessful Candidates is Worth the Effort

- After the tender winner is selected and announced, buyers can naturally focus on implementation and provide little feedback to the unsuccessful candidates. Another reason for this is the assumption that nearly all of the assessment information is too confidential so that little feedback of any use is possible anyway. Travel suppliers are usually very keen and appreciative regarding tender feedback. And a substantial amount of detail *can* be provided with the right approach, even about their financial offers. For example, their offers can be presented within ranges without disclosing anything about competitors’ actual positions.

**Lesson:** It is appropriate, useful and easy to maintain some level of relationship with non-incumbent suppliers throughout a contract term. They can provide information and yardsticks, and they will be primed and enthusiastic when you need to go to market again. These casual, occasional, once-removed relationships are “low maintenance”. Good tender feedback shows high integrity and creates an excellent base for ongoing industry relationships.

7. Large Travel Buyers Can Over-Estimate Their Value

- As the buyer, we tend to assume that bigger is always better and of more value to the supplier. We expect keener and keener pricing for larger slabs of business. This is only true in supply areas where the supplier’s stock is unlimited, or when their capacity can easily absorb our volumes. This is pretty much the case with TMCs, which can expand to meet large new accounts. Travel IT can usually expand quite easily. Even very large customers usually fit easily within the existing network capacities of major airlines, although there are exceptions with some international and low-traffic domestic routes. But the main exception to the “bigger is better” rule is with hotels. They have a limited stock. And they do not want to commit too large a proportion of their stock to highly discounted rates for large buyers. They yield manage and have to keep large tranches of room nights flexible.

**Lesson:** Understand the way that hotels yield manage their room night stock, and that there are limits to discounts and benefits, which won’t improve beyond some limit that may attach to a fairly modest amount of annual room nights. With very large numbers of room nights per location on offer, it makes sense to spread them across multiple properties. This delivers best possible terms plus greater choice and higher overall availability at contracted properties.

8. TMC/OBT RFT Weighting Woes

- In a complicated category such as TMC, there are many variables and assessment criteria competing for importance in the decision making process. It makes sense to have numerous criteria and to weight them carefully. However, the process can (1) be crowded out by big items, and (2) can leave important needs and considerations under-represented in the decision. With crowding out, an example would be if, as an overarching general procurement requirement, support for SMEs, or local or minority business, or data protection, or had to have a high percentage of, say, 20%. An example of mis-weighting would be if the organisation had some major specific issues or needs, such as a special booking service, better service complaint resolution, or automated pre-trip approval, but these factors got lost in the many criteria and were not satisfactorily addressed by the assessment process.

**Lesson:** A good and thorough weighting and scoring system is an excellent and necessary base. But it should accommodate and reflect important needs and issues.

## B: Supplier Management (7 Items)

### 1. Developing a Panel of Suppliers with Understood and Co-Developed Goals

- Ultimately all suppliers, be they technology, car rental or airlines, are there to deliver to the goals of the clients' travel program.
- More often than not, objective setting for the travel program (or travel team) is done in isolation with suppliers brought in after the event, with little understanding of why they were selected. In this example, tier one suppliers were invited into a room together to discuss and agree on travel program goals and tactics for the coming year. A strategy session enabled the sharing of ideas regarding how the suppliers could deliver services and products which addressed overarching needs. Surprisingly, the TMC and the competing hotels and airlines suppliers played nicely in the session and contributed good ideas, particularly around areas such as traveller welfare and sustainability. The output was an agreed set of principles and tactics designed to deliver greater transparency, cost efficiency and sustainable travel with, crucially, the commitment of the tier one suppliers.

**Lessons:** Involve trusted key suppliers in appropriate levels and types of travel program development to gather good input, build trust, build cooperation among them, and build understanding and support for the program.

### 2. Travel Supplier Roadshows

- A common complaint by employees for not booking in compliance is lack of knowledge of who the travel suppliers are.
- The client launched a travel roadshow to educate travellers starting in their main HQ in London. All costs were covered by the travel suppliers including promotional posters and prizes for lucky draws. Employees had to answer a series of questions about the travel policy in order to be included in the draw. Virgin Atlantic brought their latest airline seat for employees to test out and donated a trip for two to New York. Concur provided an OBT desk with 'how to book' demonstrations. Each supplier brought their personnel to answer any questions on travel product.

**Lesson:** This roadshow was very successful for the client's travel team and resulted in an 18% uplift in online bookings, traveller profile completion at 85%, and increased 24% compliance for preferred airlines and hotels within two weeks after the roadshow.

### 3. A Visceral Lesson in Poor Service

- This approach might not be to everyone's taste, but it was quite effective. A large bank, was experiencing poor service from its TMC. Account management was poor and sometimes absent. Booking times were unacceptable, and there was little response to the growing list of issues. The procurement team invited the TMC's senior managers to the board room for an "emergency meeting", scheduled over a lunchtime. The procurement team ate a catered lunch during the meeting but offered the TMC managers nothing. They then left them in the room alone for half an hour. Finally, a waiter asked if they'd like coffee, and then served them coffee that was cold. The procurement team returned and said to the TMC managers "Now you know how we feel." The TMC implemented a service recovery plan.

**Lesson:** Even large clients have to compete for a TMCs' limited attention and resources. Improvements are possible.

#### 4. TMCs Need to be Audited

- A large company had developed a close and cooperative relationship with its TMC over the years based on trust and aligned interests, the latter being a key supplier engagement principle. Under new procurement management, an audit was undertaken that compared the TMC raw bookings data to the settlement data obtained from IATA BSP. It was discovered that the TMC had been applying hidden arbitrary mark-ups to international airfares for five years. An out-of-court settlement was agreed where the TMC paid an eight figure sum in compensation for the over-charging. The company then moved quickly to replace the TMC. As a condition of the settlement was that the company would keep the matter confidential.

**Lesson:** Because TMCs use the same “mid-office” systems as retail travel agents that enable free entry of fare amounts in the quote and offer process, they too can easily apply hidden mark-ups. The practice is not uncommon, adds substantial cost to a travel program, and should be prevented. Even simple spot checks have some preventative value.

**Additional Note:** You have asked for examples of mid-office systems. The most used system in Australia is Tramada. Although the company was bought by CTM last year, and so presumably competing TMCs that used Tramada are changing systems. Others are Compleat by Concur and GenX.

#### 5. Commissions are Nearly Impossible to Track

- About 70% of a TMCs income comes from airlines, hotels, car firms, GDSs and others as sales commission, however it is structured and named. These commissions create supplier bias, and motivate commission chasing such that TMCs can detour around lower net fares and rates and offer only higher commissionable fares and rates. If commissions could be switched off, it would eradicate the cause of such costly behaviour. But commissions are built into the distribution systems and cannot easily be removed. The solution for many travel buyers over the past twenty years has been to require the TMC to pass all commissions received on in full. This is good in principle but difficult in practice. The problem is that there are so many sources and types of commission, many with complicated determinants and deals, sitting behind confidential contracts between the suppliers and the TMC. Getting the commissions that are owed is very difficult, and usually reverts to a matter of trust. One case some years ago resulted in a clearly identified underpayment of eight figures based on the TMCs interpretation of “commission” in the contract that was too legally difficult to dispute. To maintain commission income in the face of moves by buyers to claim commission income, TMC-Supplier deals have shifted towards lump-sum incentive payments that are difficult to allocate to any particular client.

**Lesson:** “Commission-back” TMC financial arrangements are difficult to make work. The TMC will probably maintain a commission income to the extent that the conflicts of interest and costly behaviours are not much reduced. Improving the integrity of the commission payments has limits and carries an internal resource cost. Looking forward, TMC commission income is probably going to fall post-Covid anyway.

#### 6. Airline Deals Are Malleable

- Even with larger travel buyers, major airlines can appear to be quite rigid and formulaic in their commercial dealings. In our experience, this can soften if you are a large buyer and you offer to collaborate in clever ways. Airlines are a supply area where collaborative procurement can have

real, mutually beneficial outcomes. For example, if it's possible, you could commit to shifting some blocks of pre-planned, flexible bookings to times that fill in soft spots in the airline's schedule where planes are flown with empty seats.

**Lesson:** Airlines keep their "yield management" and scheduling needs close to their chests. But they react favourably to buyer initiatives based on understanding and genuine "win-win" goals. The buyer has to take the initiative.

7. Relationships Are Important With Key Hotels and Chains

- Because large travel buyers use so many properties, there is a natural tendency to manage accommodation supply in a clinical fashion. Also, if a hotel aggregator is used, you are at arm's length from the hotel staff anyway. In an airline, especially a larger one, your account manager actually has little internal influence. They have little say over pricing and conditions. They have no say with routing. Their main use is to possibly help fix granular service issues and needs. This is not the case with most hotel account managers and salespeople. They often can fix things and change things at the strategic level. And they are usually quite effective in attending to spot needs and issues.

**Lesson:** Whatever the size and structure of a hotel program, it is a good idea to build good working relationships with the senior account managers and/or salespeople at your main properties and chains. This should be done even with an aggregator in place.

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## C: Internal Team and Resource Management (3 Items)

### 1. Using a Broad Tender Assessment Team

- To enable their input into the process, and to sow the seeds of their ongoing cooperation and support, representatives from several different business units were selected as the assessment team for a large TMC tender. They all had involvement in travel booking or oversight in their business units, but none had significant knowledge about the travel industry, supply chain, technology or TMCs. They were therefore not adequately equipped to perform the detailed task of TMC tender assessment without substantial training. Due to time constraints in procurement and with each of the assessors, adequate training could not be provided. The assessment team's interest and attitude towards the TMC tender project deteriorated after they became aware of the size of the task, and the extent of their knowledge gap. Assessments were done and recorded. A TMC was selected. But it cannot be said that the decision was well based. And the subsequent performance of the TMC has been disappointing.

**Lesson:** The disadvantages of broad process inclusion in a TMC/OBT tender can outweigh the advantages because TMC is a complicated category needing expertise.

### 2. Accumulate Category Knowledge

- Procurement is known for documenting processes and successes. But there is often no process for capturing travel management knowledge and expertise. Prevent "silo working". Apply a protocol for capturing knowledge as projects run, and especially when employees leave the QTravel team. As well as building an internal store of knowledge, this can improve consistency.
- The knowledge bank is useful for new team member training, and as a reference for existing team members. It is also handy when communicating ways and reasons to colleagues and suppliers.
- Examples of useful items are a searchable supplier directory, debriefs on every travel project, and a requirement for external consultants to provide a handover document as part of each SOW.

**Lesson:** Most organisations lose travel category knowledge and skills with staff turnover. Some relatively inexpensive procedures to capture and record the knowledge has a substantial longer term pay-off.

### 3. Careful Outsourcing to Minimise Internal Costs

- This organisations did a careful review of the travel management program, breaking it up into many parts and doing a structured analysis of each to determine which could and should be outsourced, and if so to whom. The model included various types of risk, resources, capability, conflict of interest and cost. Most activities were outsourced as a result. But where outsourcing carried any potential risks or negatives as identified by the analysis, these were made a priority for monitoring by the internal travel management team.

**Lesson:** If management of a sizeable travel program is to be done well with minimal internal resources, it is useful to plan the outsourcing model based on good analysis.

## D. Policy (5 Items)

### 1. Configuring Policy into the Online Booking Tool (OBT)

- The travel management team at a large corporate spent considerable time and effort researching travel policy options and best practice. They consulted with colleagues across the business, travellers, travel bookers, the industry and with peers. A well-crafted policy was built with sensible variations per business unit. It was structured and presented also in an excellent way, with important and common-use items easily accessible on the surface, linking to secondary policies and details via links. The policy was presented on an intranet site and promoted throughout the business. The travel manager had consulted with the TMC regarding implementation of the policy items and was told that the online booking tool could automatically apply many of the policies. This too was internally advertised. However, after the “go-live” date for the new policy, some of the policies could not be applied by the OBT. The OBT supplier was consulted. They had not been contacted on the matter by the TMC. The policy had to be revised, with some loss of credibility and support for the travel program.

**Lessons:** (1) TMCs that on-sell and OBT can do so with inadequate training and knowledge of the OBT, having minimal contact with OBT staff. (2) Generally, TMCs tend to over-sell and over-commit when selling, even within a tightly run tender and negotiation process with exact processes and protocols.

### 2. Program Complexity vs. Standardization and Simplicity

- A large global pharmaceutical company had a globalized travel program for many years, using primarily one TMC supplier. Although there was a “global” travel policy that was to be applied universally, over time unique processes, variations and applications of the policy emerged, dictated by the wishes of country-level leaders. The TMC, wanting to satisfy their customer, allowed the local changes to be implemented. The results were:
- Costs to manage a complex country-level pre-trip approval process grew significantly. The processes and system now require monitoring 24/7, with additional follow-the-sun full-time TMC staff.
- The support of the local variations increased costs to more than 3 times the benchmarks for similar organizations
- Attempts to implement automation have not been successful. Online booking tools, for example, cannot fully support the processes, leading to manual booking by the TMC and traveller frustration.

#### **Lessons**

- Creating complex processes and travel policies can ultimately lead to higher costs and traveller dissatisfaction with little or no value achieved
- Allowing local or business-unit variations in policy interpretation or process requirements break down the benefits of a company-wide travel program and create a complex web of processes that are difficult to automate
- The company is now embarking on a journey to review all processes globally and agree on global standards to ultimately reduce costs and improve satisfaction.

3. A Shift to Best-Fare-of-the-Day

- The Australian buyer had the standard airline deals in place, with Qantas requiring 90% domestic market share and 60% international. A review suggested that even with the Qantas discounts factored in, maintaining the required market shares was adding substantial cost. The travel bookers and the TMC were instructed to pursue best-fare-of-the-day regardless of airline. Qantas' international market share only decreased slightly, from "high 50s" to "low 50s". The innate Qantas preference partly driven by frequent flyer points was probably the reason. However this wasn't evident in the exception code reporting. Their domestic market share however dropped to the mid-seventies, and Qantas called a meeting. Simple analysis showed that if Qantas pulled the deal, Virgin's and Rex's combined market share would have to be around 65% to compensate for the loss of Qantas discounts. There was no certainty that this could be achieved, given Qantas frequent flyer points. The buyer agreed to restore Qantas market share.

**Lesson:** A best-fare-of-the-day policy can conflict with Qantas deal terms. Costs certainly can be lowered by not flying on Qantas, but the shift has to be substantial enough for the loss of the Qantas domestic discounts to be offset by other lower fares and deals.

4. Sustainability Efforts

- A corporate moved to apply real sustainability measures across its operations. Travel was one of the targets for action, as it should be. After industry consultation, three processes were introduced. The first was to apply a carbon budget to all international flights. The second was to mandate the use of electric hire cars. Thirdly, all international travel bookings had to include the purchase of an offset provided by a third party via the TMC. The TMC had formulae ready and so could provide suitable carbon estimates in their international quotes. The policy for electric cars was added to the manual and online booking processes. There was a delay in getting the offset system added to the TMC's booking process. A small cost was involved, which the TMC covered.
- The results were mixed.
- The actual carbon limits for the international flights were "guestimates". They moved upwards to allow trips to proceed. But the process was a start and it was considered that it would improve over time with data. Hire car companies don't have many electric options. But the policy increased the use of hybrids, which was a success. The company examined the offset program from the third party and was not satisfied with the integrity and credibility of the provider.

**Lesson:** Travel sustainability systems and services are still in their developmental stages. Ideal solutions may not yet exist, but useful steps can be taken. Expectations should be realistic. Suppliers should be assessed carefully, beyond the marketing. Offset programs still vary greatly by type and integrity.

5. You Don't Own the Frequent Flyer Points

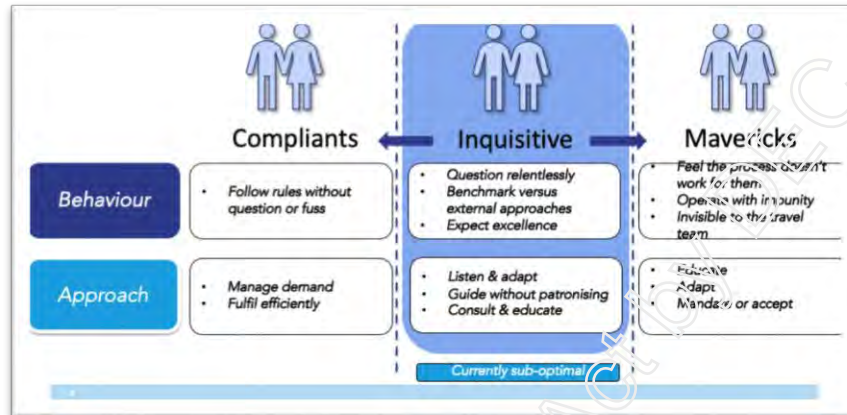
- A number of buyers around the world have attempted to gather the frequent flyer points generated by their travel and put them to use for more business travel bookings. However, the points are the legal property of the individual and cannot be seized. When this has worked it has been because there was no organised challenge. More often, large buyers have required airlines to switch the points program off. Airlines are very reluctant to do so because points work well at the level of the individual. But the points are difficult to use on business routes and at business times. Rather than trying to use them, the better approach is to switch them off.

**Lesson:** You don't own the frequent flyer points generated by your business travel. They are not of much business value in any case.

## E. Stakeholder Management (5 Items)

### 1. Stakeholder Profiling and Databank

- We conducted extensive stakeholder interviews and forums and discovered broadly 3 personas or tribes of traveller / employee. Each traveller and travel Booker was classified according to their survey results.



- By identifying and understanding each 'tribe' and matching them with the bookings data, we developed a deeper understanding of the stakeholder group. We could also better identify and describe the people not currently catered for.

### Lesson

- Through profiling and listening to the large stakeholder group, we developed a four-pillar strategy enabling the travel program to be modernised, better understood and adaptive to the needs of the travellers. The pillars were:

#### 1. Customer experience:

- Strive for at least as good as consumer equivalents
- Efficient, intuitive and predictive
- Understand end-to-end journey
- Think like a user

#### 2. Cost:

- Embrace cost visibility at all points
- Drive total cost
- Deliver actionable data to each business group

#### 3. Consistency:

- Robust, repeatable experiences
- Consistency across business and geography

#### 4. Communication

- Live company values – see out views from our harshest critics
- Build advocates through a traveller advisory board

## 2. Check for “Fee Barbs”

- Substantial consultation with stakeholders across the business units was conducted while preparing the TMC tender. The needs analysis was thorough, and various special service needs and booking types were included in the Statement of Requirements sent to candidates. The successful TMC presented a financial offer comprised of numerous fee types, as is usual. The estimated total cost of their services was second lowest, and less than the total cost of the previous TMC by about 15%. That outcome was largely due to the lower domestic online booking fee. Also in the offer was a higher VIP booking fee that they would not reduce. The VIP fee caused pushback from senior executives through their PAs and the quality and value of a thorough tendering process was called into question.

**Lesson:** TMC (and maybe other) fee formats need to be checked for “pricing barbs” as well as overall competitiveness.

## 3. Open the Feedback Doors Good and Wide

- Every travel program will face its critics. Procurement managers sometimes avoid criticism for fear of negativity, but engaging critics is about giving them the freedom to speak. Ask them to be brutal with their feedback. This permission can unleash a wave of useful information. Some will be gold. Some will be useless. Once they have voiced their issues, stakeholders will be more receptive to your proposals. Use their feedback to create change in your travel program. Going further still, you can create a support team to further your travel program goals and spread communication on your behalf.

**Lesson:** A confident and open approach to feedback and interaction can strengthen and improve the travel program.

## 4. “I Can Do Better Myself” Maybe They Can

- Travellers sometimes believe that they can get lower fares and rates, and better choices if they go to online leisure travel agents. This attitude can spread among travel bookers and can be difficult to put back in the box. It is a common problem in universities where travel bookers usually have a lot of autonomy. There are basically three levels of response from the travel category manager.
  - i. Due to a lack of knowledge of how the leisure and business travel chains work, like the dissenters, they accept the suggestion at face value.
  - ii. With a good understanding of the supply chain and how TMCs operate, and with a good TMC arrangement in place, they know that it should not be possible for retail fares and rates to be better than those offered by the TMC. They accept the TMC’s defence that “apples aren’t being compared with apples”, because the retail quotes are for different times, different properties, or different fares or rate types, or outside of policy.
  - iii. The highest level response is to know this but to also know that TMCs are fallible and conflicted. They indeed might be offering higher travel pricing due to a lack of diligence and skill, or due to mark-ups or commission chasing.
- If the stakeholders’ claims are too readily dismissed by a level 2 response, then a problem that might exist cannot be fixed, the attitude towards the travel program will suffer, and the leakage will probably worsen.

**Lesson:** Examine the causes of program leakage. If there are complaints about the TMC's fares and rates, take them seriously. A review of the raw bookings data, which should include a column showing contracted fare and rate codes, shows low availability of contracted fares and rates, then the issue should be raised with the TMC. That is one check that can be done with data. Other causes of high quoting might need to be raised with the TMC. These include:

- Lack of diligence and skill in the booking consultant team
- The TMC's booking consultants are remunerated based on commissions, revenue or profit (not uncommon)
- The OBT is not well configured (E.g. wrong priorities in lists)
- The TMC does not have or does not always use large retail inventories, such as Expedia

5. Savings Spoil the Result

- The procurement department in a bank was given a percentage savings target by the CFO's office. The head of procurement was to receive a substantial bonus for achieving the spending cuts. The travel category had to reduce TMC servicing costs by 30%. The TMC tender was run with a very high priority given to fee reduction. The fact that fees are a minor factor in determining a TMC's true cost and value was not able to be considered. The TMC with the lowest "shopfront" fees was selected. It was not the best option. The TMC was also the one known to be the most active with hidden mark-ups, and so this almost certainly was the offset for the low fee offer, and the banks travel costs would have risen substantially as a result.

**Lesson:** If senior stakeholders, such as managers in Finance, the CPO, and the office of the CEO, are engaged so that they have some basic understanding of travel, especially the main cost drivers, then well-meaning but uninformed costly savings directives can be avoided.

**Additional Note:** You have asked for some examples of hidden mark-ups. The TMC's mid-office system with which they source travel product and pricing and create the itineraries and quotes has open entry cells for the booking consultant to enter the fares and rates to be offered. They can input higher amounts. This is the standard practice with leisure travel agents. But the amount of mark-up there is contained by the fact that they must compete for business with every quote. The potential customer can go to another travel agency or agency website. And, a retail travel agent has no contract or agreement with the customer to offer lowest available fares and rates.

However with business travel, you must book through your TMC for a number of reasons. And so, there is no competitive containment. Also, even if the TMC is not formally required to book the lowest suitable fare or rate by adequate wording in a contract, they have very likely implicitly or explicitly committed to doing so.

Say that the TMC sourced a wholesale fare to London for \$9,210 and the retail equivalent presented to the public was \$10,750. The TMC can add \$800 to the fare in its quote. The fare will still be much less than the retail amount. But the TMC should have presented \$9,210 if it was offering best-fare-of-the-day. You have no way of seeing the lower fare at the time. The TMC has added revenue of over 8% on top of its visible booking fee of, say, 2.5%.