

By Judy Ferring

# Situation Normal



There's nothing new about it. Normal is always changing.

Take a deep breath. This fall's constant references to "the new normal" may be setting off alarms in some quarters, but remember that the discipline of managed business travel was itself born out of a "new normal" in the late 1970s. Change has been a constant ever since.

It will keep everyone — buyers and consultants alike — busier than ever in 2010. But it won't be alien territory.

"New normal? Of course that is an oxymoron," says Consulting Strategies' Mark Walton. "There is no norm in the travel industry and I doubt there ever will be."

"Over the past three decades we have seen continual change in the travel industry that has required us to adapt to support the 'new normal'," says consultant Ralph D. Brown. "We will continue to shape our client travel programs to utilize best practices and support their need for benchmarking, supplier sourcing and cost control strategies. In 2010, we expect clients will want to validate the effectiveness of their managed travel program and ensure maximization of controls. We will utilize our tools to provide that validation, and help implement change, where needed, to maximize the value of travel spend."

The good news is that although it's the economy that has created a lot of the challenges ahead, it's also the economy that has stalled business activity enough to give time to deal with them. "The primary difference today is management's interest in listening," says Will Tate of Management Alternatives.

The current climate creates "tremendous opportunities for companies to gain further control of travel expenditures, create more efficiencies, improve internal per-

formance and receive guarantees from suppliers in terms of their own performances," agrees Walton. "However, it takes experience to navigate the complexities and to optimize these opportunities." It's a good situation for qualified consultants, he adds, putting them "front and center" to

In the end, the only questions that need to be answered are 'What matters? Why does it matter? And what needs to be done?'

help travel managers improve their programs.

"Improving programs typically requires change," observes Mary Ellen George, general manager of Advito, BCD Travel's independent consulting unit. "And since change management is much harder to drive in a flourishing economic climate, [we suggest that] travel managers work as fast as they can to initiate and complete the progress before the window of opportunity snaps shut."

That's not to say that year 2010 is going to be easy. "The travel industry is more severely impacted (than other industries) by economic downturns," says Andy Menkes of Partnership Travel Consulting. "It has the added complexity of the cost of fuel and converging technologies that are replacing (some) face-to-face meetings with video-conferencing of varying types. We are also witnessing a paradigm shift in the airline industry where they are focusing on ancillary fees (other than the actual

ticket price) as a source of incremental revenue and potentially profits. Additional complexities including changing airline alliances, agency mergers, lack of capital for the car rental industry and fluctuating hotel inventory and pricing models. Added to this complex ecosystem, we still face the challenges of GDS content gaps, direct connections, integration with ERPs and global consolidation."

By definition, all these factors define the new normal, says Menkes, "because what used to be won't be again."

## This Is Now

A great deal of the public attention surrounding today's travel is being spent on accounting for airlines' ancillary fees and bridging the dichotomy between video-conferencing and face-to-face meetings. Walton sees the new norm in broader terms:

- For virtually all companies with an international exposure, the challenge is taking a multinational approach to travel management.
- It's the movement towards making corporate travel management an active component to the overall health, safety and security of its company travelers.
- It's also about having fewer and fewer suppliers — especially airlines — and learning how to deal with a more monopolistic supplier network.

"A more holistic view" is indeed becoming more important, agrees Advito's George. Benchmarking is especially useful in this regard, because it can be applied across all the elements of a managed travel program. "If carried out properly, benchmarking services will identify existing maturity levels and gaps, assess the organization's appetite for change, establish a

total spend approach and provide recommendations that best fit the program's objective and readiness." Advito consultants accomplish this through the use of an online survey that is part of the company's eValuation(r) Benchmarking & ROI Analysis tool.

Regardless what is on any individual list of challenges, Management Strategies' Tate cautions against getting lost in the cacophony of concern. "Fine tuning is the new normal," he says, "and diminishing returns is the common thread." As complex as the challenges may seem, he contends, it will be subtle improvements that yield solid value, "albeit in smaller amounts than previous initiatives."

How do you get there from here? Many travel managers are already getting it right, says Tate. For them, the answer is simply to continue with what's already in progress:

- a focus on creating accurate baselines, which has yielded new insight "into the opportunities that truly exist, versus those simply perceived to exist."
- a focus on maximizing value with current agreements.
- and a focus on policy compliance — "that has consistently been in progress."

These travel managers are using simplified measures to tell a compelling story, continues Tate. "Buyers know the ease of presenting every measure: today's environment requires singular measures that allow for management action."

In the end, he says, the only questions that need to be answered are "What matters? Why does it matter? And what needs to be done?"

### 2010: The Year Of The KPI

If growth in managed travel has indeed been a series of small incremental steps, 2010 will be the year that the value of databases that have been built will be irrefutable, if not fully realized. "The requirement from corporate clients for timely and easily accessible data from multiple sources will grow," predicts Advito's George.

That will probably keep a lot of consultants busy: "Building a data warehouse that can provide travel managers with genuine business intelligence requires know-how and a certain investment," she says. "If given the opportunity to understand senior management drivers and broader corporate objectives, consultants can help map out strategic goals that align with

those corporate objectives, suggest appropriate key performance indicators (KPIs) that will be meaningful and define the right data source for each."

"Savings is no longer adequate as the only metric for success," agrees Tracy J. Paurowski of American Express Business Travel. Instead, emphasis will increase on consistently proving the ROI "of every trip taken and connection made," she says.

"Companies should be taking a microscopic lens to identify what internal travel to cut ... Interpreting data will drive better understanding of traveler behavior and spend, allowing for better spend control," she continues. "Relying on standard corporate buying power is no longer the best method to gain greater control over T&E spend. Companies will need to be creative with their cost-savings initiatives, reconnect with their preferred suppliers, and make the most of their contracts and agreements. For example, companies should look to adopt tools that eliminate

**'Change management is much harder to drive in a flourishing economic climate ... travel managers should work as fast as they can before the window of opportunity snaps shut.'**

booking and loading errors and capture lost spend, as well as turn to direct-to-supplier booking tools which will provide direct, real-time access to inventory."

### Virtual Travel's Long-term Risk

The actual travel vs. virtual travel debate will continue, note several consultants. But it will begin to diverge into two facets, both pertaining to the short-term and long-term roles of the technology in user organizations. First is the familiar focus on setting parameters about which mode is optimal for which situation, notes Paurowski.

"Companies now understand the ratio of administrative vs. revenue travel," says Greeley Koch, a director with Acquis Consulting Group. "With the cutback in travel and increased use of telepresence, travel managers are doing a better job —

and they're going to be getting better in 2010. Some have it already, but not all have it locked down yet."

The second facet surrounds the question of access to telepresence facilities and equipment. That introduces a set of considerations that most companies have yet to address, says Acquis' managing partner, Dave Kaufman: "Right now it's not such a big deal to lose a conference room. But equip that room with telepresence and a meeting is not so easily moved. It's a big investment. To say 'We're going to equip X number of conference rooms in X number of offices' is a long-term vision.

"But what offices and what conference rooms? Most companies are looking at the short term now but they need to do both — it will take several years to get that investment back."

"We were in Singapore in August," interjects Koch, "and some companies there had the technology. ... It is still a work in progress; they're still figuring out where and how to use it. This can't be a static investment. You need to monitor continually to be sure it is accomplishing what you want."

"At Acquis, we started with a low-end system," says Kaufman. "It's partially replaced travel but we use it more than we would have traveled. That's what's going to happen and companies must be able to identify the added business contacts they make with video-conferencing. It will probably take about two years; we're small and could work faster."

If travel managers begin to collect information now, there should be no reason to panic, however. Once again, the economic downturn has put time on their side. Small investments in its use now will begin to help delineate "the rules of how to play in the sandbox," says Kaufman, while hopefully there will be "a snowball effect" that will increase use and bring down prices. But long-term travel will come back, he adds, so Acquis and its clients must spend the interim looking at both their short term and long-term plans.

### Ancillary Fees: Teapot Tempest

Ancillary airline fees may be getting a lot of attention in the consumer press and social networking sites but it isn't occupying large quantities of consultants' time. Until technology catches up with a better way to book and track the services involved, they say, the fees will continue to be an irritant but not always more than that.

For now, the solutions available — to the extent that there are solutions — will depend on how the services are purchased: through a TMC, through the airline web site or onboard the plane. “If it’s purchased with a card, the fee will sometimes be identified, sometimes not,” says Koch.

The issue will often be irrelevant to business travel, anyway, he observes: “Checked bags and seating options are often paid by leisure travelers but not by frequent business travelers so the technology has some time to catch up.”

And it will catch up, says Kevin Tait, senior business development manager for BMO Spend & Payment Solutions. The company began building its consultancy unit last spring. Still small, the group is concentrating on existing clients now and will branch out later as its base grows.

For now, BMO’s principal service is built around the corporate cards it provides and the data is it able to provide from its use. The company is already in discussions with one airline about providing ancillary data, he says. But it could be a drawn-out process. Industry-wide, hotels have gotten on board with the program over the past 4 or 5 years, setting a pattern that can be expected to be followed by airlines.

Collection of data concerning ancillary purchases — be they airlines’ or hotels’ — is likely to be an ongoing saga. As observed by Acquis’ Koch, “There will always be a new fee to crop up.”

“We work with clients to help them understand the types of data now available, and how it can be used to meet corporate travel objectives,” Tait says. In 2010, “travel data will be analyzed at a more granular level, for the dual purpose of refining travel policy and enabling organizations to obtain greater leverage in vendor negotiations. For example, hotel folio data can be used to determine expenditures on such things as Internet usage fees or phone charges ... Once quantified, organizations can use this information to negotiate specific discounts for these services in addition to room rates.”

### The Real Future

So will consultants be resting on their laurels in 2010, content to refine their clients’ responses to changes they anticipated more than a year ago?

Not likely.

“We try to see problems before they become problems,” says Koch. “You can always predict that something is going to change. We help our clients begin to collect

the data before it becomes critical, so you can react calmly when the time comes.”

One of the early new challenges, according to Tait, may well be for travel managers to maintain their perspective after having successfully navigated the treacherous waters of 2009. “Today’s culture has given buyers more opportunity than ever before to sell their value. The confluence of management’s ear, business unit’s need to reduce expenses, and travel suppliers’ readiness to improve share have created a unique opportunity to create world class programs. Innovation with suppliers can be intoxicating when larger and larger discounts are presented, but continual focus on the traveler (and travel arranger) will ensure maximum benefit is derived for all interested parties. ... Keeping the focus on satisfying the customer (the traveler, arranger, business unit, senior manager) will define your success beyond cost containment alone.”

Another challenge, predicts Paurowski, will be the fact that business travelers themselves will have changed. “It will be a more cost conscious traveler and travel category managers will need to focus on helping them stay productive, stay connected and stay within budget.” She suggests a number of possible solutions:

- Widespread adoption of mobile platforms to promote 24/7 connectivity.
- One-stop web interfaces so travelers can book travel, manage expenses and see policy updates in one place through their desktop or mobile.
- More ways to travel, including multi-class flights, rental cars and rail.
- Use of social networking sites to monitor travelers’ experiences.

Jump to the year 2014: optimal use of telepresence will still be developing, says Kaufman. The real challenge will be that travel will be coming back but by then it will be a supply issue and “there will be growing pains. It will mean higher fares” — and that could be long term.

“You will see more focus on class of service,” Koch says, picking up the theme, “and travel policy will be broken up by which direction the traveler is going. If he has to get to work right away when he lands, he’ll go business class. On return, when no demands will be made on him immediately after landing, he’ll travel economy. And then the airlines will have to figure out the right mix of services to meet that demand and still make a profit.” **BTE**

LONDON  
TOWNCARS  
*Of New York*  
*Since 1959*

www.londontowncars.com