



# Managing Your Travel Program in the Current Economic Environment

## Keys to Success

October 2008

## Table of Contents

Introduction	3
The Current Economic Environment	4
Impact on Corporate Travel Programs	5
Strategic Program Options	6
Tactical Policy Options	8
About TCG Consulting	18

## Introduction

Over the past several weeks, TCG has been approached by many of our clients looking for guidance in managing their travel programs under the current financial and economic environment. This has included financial companies in the heart of New York, London and Hong Kong, global manufacturing companies, consumer product goods companies and large industrial corporations. All are being impacted by different elements of the financial crisis, and all are beginning to put together contingencies for how they plan to deal with them.

In response to these requests, TCG has put together our thoughts and recommendations into this white paper to serve as a resource for our clients and the industry.

This is meant to serve as a starting point, generating ideas and discussion, rather than serving as a comprehensive list of everything that can be done. Our intent is to begin enabling you to impact your travel spend in the short-term in an intelligent, managed way.

As always, we look forward to the opportunity to speak with you directly about any of the ideas contained within this document or any other aspect of your travel, payment and expense programs.



Albert Taras  
Managing Director  
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## The Current Economic Environment

Everybody involved in the corporate travel community, and beyond, knows that the world currently faces a unique financial and economic situation. Companies see themselves being impacted in a variety of ways as the markets move dramatically up and down each day (mostly down), as a result of tightened credit, volatile oil prices, global tensions and looming recession.

One of the elements of the current situation that appears different from the economic dynamics of the past several years, is that the crisis is being felt globally. Companies that have been able to ride out softness in one market because of stability or growth in other markets, aren't necessarily as fortunate this time around. In some cases, due to tightening credit, companies are being forced to conserve cash in order to meet daily operating expenses. This is forcing those companies to limit outlays for all non-essential expenditures.

While it is impossible to tell how long this current situation will last and which elements may be with us for a while, it is clear that it won't be "business as usual" for some time to come.

## Impact on Corporate Travel Programs

The current economic environment is likely to have both direct and indirect impact on corporations and their travel programs. The specific impacts will vary, but no corporation will be immune from the impacts. As mentioned above, many companies need to immediately limit expenditures in order to conserve cash. Many of those companies may be looking at mandates to limit non-essential travel, with the definition of “non-essential” varying widely.

The most immediate impact on travel spend is to reduce the number of trips being taken. This will create an increase in the use of so-called alternatives to travel such as tele-, web- and video-conferencing. One of the challenges with this is that many of these technologies have already become so ubiquitous that travelers may already feel that they are utilizing them to their maximum potential.

Many companies are also putting pre-trip authorization procedures into place, either covering all potential travel or travel that meets certain criteria, e.g. cost of trip, internal company business versus revenue generating, destination or international, etc. Others are looking to strengthen the best practices that may already be in place, but maybe ignored by travelers.

At the same time, there are many indirect impacts on corporate travel as the economy impacts travel suppliers in various ways. These include higher air fares as seat capacity is reduced, lower short-term hotel rates as occupancy falls (countered by upward pressure due to increased costs of financing, food and operating costs), and pressure on corporate card revenue-sharing programs as card companies' cost of funds increase.

## Strategic Program Options

TCG helps build and prepare cost reduction guide sheets as part of our work with our clients. These guides establish cost reduction plans for 10%, 20% and 30% reductions, or more, to help maintain corporate profitability. Balancing a Travel Management Program and Policy is key to crafting a specific cost reduction plan. Additional, significant return-on-investment (ROI) can be obtained by integrating Travel, Payment and Expense Management into a Strategic Travel Management plan. Meetings, incentives, conferences and events consolidation is another significant cost reduction channel. Implementing improvements within the program can be difficult, to say the least, for companies that do not yet have their arms around their various program elements.

TCG normally advises clients to track non-revenue generating travel activity versus revenue generating travel activity. During tough economic periods, we commonly advise clients to continue investing in revenue-generating activity, but to do so as intelligently as possible.

The business travel industry is slowing entering into a buyer's market, like in the housing, financial or other commodity markets. This market phase will require more policy and program balancing than in the past, and it comes after three years of a strong seller's (supplier's) market. To combat this, many suppliers are consolidating, reducing capacity, and implementing new service charges and add-on fees. It is typical in a seller's market that corporations wrap policy around supplier programs. The opposite is recommended when approaching a buyer's market;, where supplier programs are wrapped around policy.

## Strategic Program Options (continued)

Corporate travel programs can be categorized into four distinct levels:

### Unmanaged programs

- Lack of written policy
- Little or no supplier leveraging
- Most or all employee reimbursement requiring receipts

### Corporate guideline programs

- Basic policy
- Limited supplier agreements and leveraging
- Some agency consolidation
- Employee reimbursement made with receipts

### Exception-based programs

- Consolidated, written policy with limited exceptions
- Increasing level and number of supplier programs and leveraging
- Significant agency consolidation
- Employee reimbursement provided according to policy

### Mandated programs

- Consolidated, written policy
- Extensive supplier agreements with a high degree of purchasing leverage
- Agency consolidation
- Employee reimbursement provided according to manager approval

Today's environment creates a unique opportunity to move your program up this ladder and benefit your company long after things get "back to normal."

## Tactical Policy Options – Air Travel

### Low impact: 1% – 3% budget reduction

- Use online booking technology to reduce agency fees and access lower air fares

### Low to medium impact: 1% – 8% budget reduction

- Make reservations at least 14 days in advance in order to access lower air fares
- Use preferred airline partners
- Schedule meetings based on availability of fares
- Schedule meetings in locations served by preferred airlines
- Increase travel window to 48 hours for international travel
- Evaluate value of Saturday night stays
- Disallow reimbursement for en-route changes of less than four hours
- Evaluate alternatives to travel – particularly for non-client travel

### Medium impact: 3% – 9% budget reduction

- Travel to Asia mid-week to take advantage of lower air fares
- Require senior management approval for all trips over \$1,000

### Medium to High impact: 3% – 15% budget reduction

- Use non-refundable air fares whenever possible
- Require re-use of cancelled, non-refundable tickets before purchase of new tickets
- Select connecting flights whenever possible



## Tactical Policy Options – Air Travel (continued)

Medium to High impact: 3% – 15% budget reduction (continued)

- Evaluate alternative airports in multi-airport cities
- Increase time threshold for use of business class travel
- Allow premium (business or first class) travel only on contract carriers – require economy or premium economy on non-contract carriers
- Use premium economy in lieu of business class travel
- Require senior management approval for rejection of lowest fare within policy
- Require senior management approval for all trips over \$500
- Split savings with employees who use mileage to purchase tickets or upgrades (note, may have tax implications)
- Require alternatives to travel for all non-client travel whenever possible
  - Teleconferencing, web conferencing, videoconferencing

## Tactical Policy Options – Lodging

### Low impact: 1% – 3% budget reduction

- Garner senior management sponsorship for hotel policy (if program compliance is already medium to high)
- Renew or increase communication of preferred hotel program – citing features and benefits (if program compliance is already medium to high)
- Post hotel booking policy on travel portal
- Require travelers to always request lowest available rate upon check in
- Require senior management approval for no-show fees
- Negotiate waiver of early departure charges into preferred rates
- Determine best “value adds” to be negotiated into room rate based on traveler use and geographic location
- Split savings with employees who use frequent stay programs for free rooms (note, may have tax implications)
- Schedule meetings to minimize hotel nights
- Schedule meetings in second-tier cities if possible
- Set up “dashboard” reporting to highlight key performance indicators (KPIs) such as average booked rate versus average negotiated rate in top cities
- Consolidate data sources to recognize trends and volume to leverage negotiations
- Consider reimbursement for stays in private homes

## Tactical Policy Options – Lodging (continued)

### Low to medium impact: 1% – 5% budget reduction

- Mandate use of online booking
- Strongly discourage use of hotel web sites and direct booking
- Require pre-trip approval of hotel bookings
- Set up business rules within online booking tool to require traveler to book hotels at the same time as air
- Ensure corporate preferred program is prioritized and properties displayed first within online booking tool
- Ranking preferred hotels in top cities to drive volume
- Set up reason codes to track booking outside of preferred program
- Review hotel program to ensure that top cities are covered with negotiated rates that include last room availability
- Review productivity at preferred hotels in top cities to determine if rate negotiation is appropriate

### Medium to High impact: 3% – 10% budget reduction

- Garner senior management sponsorship for hotel policy (if compliance is low)
- Create communication of preferred hotel program – citing features and benefits (if program compliance is low)
- Mandate use of corporate credit card for expense reimbursement to maximize data collection for leverage volume negotiations

## Tactical Policy Options – Lodging (continued)

### Medium to High impact: 3% – 10% budget reduction (Continued)

- Conduct audit of rate booking access codes within GDS to validate that negotiated rates are correctly loaded
- Select lower tier properties where practical (three star instead of four star)
- Set maximum rate allowance in cities with preferred properties and set up exception approval process and procedures
- Set maximum rate allowance in cities where there are no preferred properties and set up exception approval process and procedures

### Revenue collection

- Review hotel commission collection policy and procedures (commission revenue may offset managed program costs)

## Tactical Policy Options – Ground Transportation

### Low impact: 1% – 2% budget reduction

- Use online booking technology
- Book all rental cars through corporate travel agency
- Reduce level of authorized rental car
- Require machine printed or driver completed taxi receipts
- Limit taxi tips to 15% of fare

### Low to Medium impact: 1% – 6% budget reduction

- Use corporate preferred rental car providers
- Off airport rental pickup (airport fees can be as much as the base rental rate)
- Require travelers going to the same location to share rental cars
- Consider alternative ground transfer options – including taxis and free or paid shuttles
- Decline all insurance (if company is self insured or insurance is included in negotiated rates)
- Always refuel rental cars prior to return
- Require use of personal automobiles for transportation to and from airports
- Require use of off-airport parking
- Disallow rental of GPS systems

## Tactical Policy Options – Meals and Entertainment

Low impact: 1% – 2% budget reduction

- Establish maximum meal allowance for all cities
- Require receipts for all meals
- Disallow alcohol reimbursement for personal meals
- Disallow breakfast reimbursement when included in negotiated rate
- Require pre-approval for all intra-company meals

Low to Medium impact: 1% – 4% budget reduction

- Establish specific associate-to-associate meal policy
- Define appropriate entertainment policy

## Tactical Policy Options – Meetings

Low to Medium impact: 1% – 5% budget reduction

- Focus meetings in cities serviced by preferred carriers and preferred hotels

Medium impact: 3% – 5% budget reduction

- Prohibit or limit number of attendees at trade shows
- Implement meeting card program with preset limits

Medium to high impact: 4% – 10% budget reduction

- Source three or more meeting locations to determine lowest overall costs
- Utilize available in-house meeting facilities

## Tactical Policy Options – Payment and Card Use

Low impact: 1% – 2% budget reduction

- Require corporate card for all expenses
- Remove reward programs from card in lieu of additional revenue sharing
- Lower the non-travel company retail limits to ensure against fraud and skimming exposure
- Monitor and prohibit personal expenses on corporate cards
- Close dormant accounts (not used in 18 months)
- Request refund on any credit balance accounts over 60 days outstanding



## Tactical Policy Options – Other

Low impact: 1% – 2% budget reduction

- Prioritize use of phones
  - Individual cell phones
  - Charge cards
  - Toll-free numbers for businesses
  - Make calls from company locations while traveling
- Disallow reimbursement for airline clubs

Low to medium impact: 1% – 4% budget reduction

- Require reclamation of all Value Added Taxes where applicable

## About TCG Consulting

### Leading the way to productive and effective Corporate Travel, Payment and Expense Management Programs

TCG Consulting provides guidance to meet the challenges of an ever-changing, competitive global marketplace and has advised its corporate clients with travel management, payment and expense solutions. We have successfully completed over 290 clients engagement in 106 countries.

We are a professional services firm that assesses, sources, implements and manages corporate travel-related expenses. The unique TCG business model and practices have been developed specifically for the needs of dynamic companies, delivering a full range of professional services, offering objective, unbiased advice and results.

If you would like to discuss these, or other, ideas further, please call or email your TCG Consulting representative at your convenience.



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