

Staff, the world is your oyster

Companies can spend hundreds of millions on their annual travel budget. Roger Bray looks at the money-saving opportunities available

Wanted: global travel manager for leading multi-national. Must have tough negotiating skills, an insider's knowledge of airline and hotel industry commercial tactics, a familiarity with the latest reservations technology and deep reserves of tact and diplomacy.

The first two requirements are essential when thrashing out hundreds of discount deals with airlines and a multitude of hotel rates in dozens of cities around the world. How do travel managers approach the task? Increasingly, big companies are looking to negotiate contracts on a worldwide or at least regional basis, dealing with a relatively small number of suppliers.

A recent joint survey by the Association of Corporate Travel Executives and the reservations system company Amadeus concluded: "More and more companies are looking to either implement global travel programmes as a way of controlling and leveraging their spend or - in the case of larger multinationals that have established programmes - roll them out to less mature markets in Asia-Pacific and Latin America."

To do this, companies need to collate as much information as possible about their staff travel patterns through travel management companies and often data consolidators - so they can impress suppliers with the value of their business. The survey found that the most common way of doing this was to set up regional travel departments into which local branches fed data. US companies were clearly leading the field in this respect. Europe was catching up rapidly, with the Asia-Pacific region some way behind.

Of those that had intro-



Welcome on board: most corporations have deals with commercial carriers. Data on staff travel habits can help to save more

| NESTLÉ | | |
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| <p>Annual travel expenditure: \$178m Number of staff travelling: 80,000 Trips per year: 150,000 Travel allowances depend on job title. Executives travel first or business class. For the rest, domestic flights are coach class. For all transatlantic, Pacific, south and central American flights, everyone travels business class. There are agreements with midscale hotels, including discounts at Choice hotels, and some Marriott and Hilton hotels and with airlines. Lufthansa is most used globally; AA and Continental in the US. Nestlé does not use discounted flat fares for domestic travel, but does for a handful of international routes such as LA-London,</p> | <p>JFK-Geneva and Chicago-Geneva. It has car hire arrangements only with Avis. In North America, the company uses the Cliqbook online booking tool, which consolidates the company's businesses across the continent. Until it started using Cliqbook in North America, the most it could get was 50-75 per cent use of its chosen online booking tool, Get There. Now 80 per cent of travel expenses are booked through the tool, and 70 per cent of flights is with carriers with which it has deals. There are guidelines but no rules and employees are encouraged to book the lowest fare. The tool brings in an average of \$50 savings per air ticket, and saves \$2m a year in transaction costs.</p> | <p>In Europe bookings are done through the Amadeus tool, comparable to Cliqbook in quality of service, although it provides a more comprehensive rail option. Nestlé is looking for a tool that will unify all its bookings. "The structure in the US is a little more consolidated," says Brenda Miller, North America purchasing manager, Nestlé travel services. "I think Nestlé is consolidating services in the rest of the world. The Nestlé programme in North America has all operating companies in the US and Canada under one system. The rest of the world is still locally managed by country and according to division, but it is getting there."</p> |
| | | Daniel Pimlott |

duced global programmes, 32.5 per cent said they cut costs by up to 15 per cent, while 40.9 per cent claimed to have achieved savings between 16 and 30 per cent, 10.8 per cent said they had saved 31-45 per cent and 3.9

per cent claimed even higher savings. Only 11.8 per cent said the move had made no difference.

The bigger the company, the more successful globalisation is likely to prove. Among companies spending more than \$100m a year on air tickets, 81 per cent said it was worthwhile, compared with 59 per cent overall.

The term "global" covers a variety of interpretations, however. One size rarely fits all. No single airline flies everywhere and no international hotel chain has properties in all cities. Big travel management companies are stronger in some areas than others and even policy restrictions on the way staff are allowed to travel may be appropriate in one region but not in another.

Companies with huge travel demands also need flexibility. "The big banks, for example, usually have a

deal with one airline and back that up with a support deal with another carrier," says Mike Platt, group industry affairs director for HRG, a travel management company. "Most have major corporates net deals with British Airways - for a mix of reasons, not least flexibility - but if they are doing a lot of travelling on a particular route they will pick out another. What a lot do is allow British staff to fly on a British airline and US staff to fly on a US carrier. But if you can't get on one, you have to use the other."

Some companies are now negotiating with airline alliances. Peter Sijbers, Netherlands-based global commodity manager of Philips Electronics, recently concluded a deal with the SkyTeam airline alliance, which includes Aeroflot, Aeromexico, Air France, Alitalia, Continental Airlines, CSA Czech Air-

lines, Delta Air Lines, KLM, Korean Air and Northwest Airlines.

"We already had a deal with the Star Alliance but this is much bigger in scope. It involves some 3,000 terms and conditions and multiple

discount levels. We use Prism, a data consolidator based in Albuquerque, to analyse staff travel patterns and if necessary look at the savings or added value we are getting."

Taking advantage of buying power to secure favourable hotel deals can be trickier. Mark Avery, head of business services with overall responsible for travel at PwC, says: "We have a couple of global deals with hotel groups - Marriott and Starwood. But because hotels are chosen by location it is difficult to find a global supplier that meets all our requirements. So we negotiate with hoteliers locally, they provide us with a company-wide discount, and we promote them to staff via an online directory."

Some leading companies have made it compulsory for employees to use online self-booking tools, at least for routine trips. It is widely believed that those who select flights or hotels from the screen are less prone to extravagance, because of what travel management experts call "visual guilt".

All this helps to keep costs down. But there remains the problem of ensuring employees use preferred suppliers, so that business levels do not fall short of levels needed to justify agreed discounts. That is where the final job requirement of the travel manager comes in. Enforcement techniques range from iron fist to velvet glove. It is the gentle approach, more likely to be employed in the UK than the US, which calls for the tact and diplomacy demanded in the ideal job ad.

As Tony Pilcher, head of global business travel management at HSBC, puts it: "Rather than say 'we won't pay people's expenses if they book outside policy', we say 'let's understand and learn from the experience.'"

UNILEVER

Annual travel expenditure: \$460m
Number of staff travelling: 19,000
Trips per year: 200,000.
Has deals with BA, Air France, KLM, Brazilian carrier Tam, and with hotel groups including Marriott and Hilton. Mostly uses Carlson Wagonlit Travel but HRG in Latin America. Information from them is analysed by Carlson Air Solutions. Data from Asia, Africa, Middle East and Turkey is not yet fully consolidated and is therefore not yet covered by this system. Bill Doull, supply manager for non-product items in Europe, says on average a big company

negotiates fare deals between 134 cities to cover 80 per cent of its travel. "We have business units in 150 countries and require 656 city pair deals. We usually need to negotiate seven fare levels for a route: one in first, three in business, two in premium economy and one in economy. We mainly negotiate on city pairs but we also do deals based on all flights to a region." The company secures different deals in the same cabin because people are prepared to book early at a lower fare.

Roger Bray

HSBC

Annual travel expenditure: \$180m
Number of staff travelling: 5,000
Trips per year: 60,000.
Staff in the US are obliged to use online self-booking tools. In the UK its use is not mandatory for flights but it is for rail travel, hotels and car hire. Bookings are processed by, and management information provided by, travel management companies according to region, including HRG in the UK and Carlson Wagonlit in France. It has deals with a dozen airlines including BA, Cathay Pacific and Emirates. There are also back-up deals with other

airlines in case no suitable flight is available on one of the principal carriers. Tony Pilcher says: "We look to bring together all our spending. We source airlines locally, depending on local needs, but we look at each other's data. We also look at our hotel directory on a global basis and factor in different country requirements. We try to source as much as we can from the major chains - or look to see whether a chain has partners - but they probably cover only 60 per cent of our needs."

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