

Policy and compliance improvements offer significant savings opportunities

Companies can save on average 20 percent of total travel spend by adopting best practices in travel policy design and compliance.* Improvements to **policy** can enable companies to save as much as 8 percent of total travel spend; and best practices in traveler **compliance** can save another 12 percent.

Together, policy and compliance are cornerstones of effective travel management. Yet many companies have made a higher priority of sourcing—to the extent that further savings from supplier negotiations may be marginal. At the same time, significant opportunities are ignored or inadequately addressed in their travel policy.

Savings areas

Savings come from policy and compliance improvements in five main areas:

1. **Advance air booking** represents the greatest opportunity for savings, with discounts sometimes exceeding 50 percent of ticket price. Booking in advance enables travelers to access significantly lower airfares—depending on how far in advance the booking is made, the class of travel, and the route. Yet, companies generally recommend, not mandate, advance air booking in their travel policy and rarely specify a clear timeline. Companies that mandate booking at least 14 days in advance whenever possible see their travelers booking earlier and realize greater savings.
2. **Restricted airfares** usually cost considerably less than other fares, particularly for short-haul economy, where savings can exceed 60 percent of negotiated flexible fares. Even when the cost of exchanging or canceling tickets is taken into account, restricted tickets can provide substantial savings compared to flexible tickets—on average 24 percent of air costs on relevant routes. One main reason is that companies typically change or cancel only 20-35 percent of tickets—considerably fewer than is generally believed. Companies make best use of this savings opportunity when they mandate the use of available restricted airfares even if

travelers' plans could change. Only four percent of travel policies currently mandate use of restricted airfares.

3. **Preferred suppliers**, when used consistently, represent lower overall costs than a mix of suppliers used on a "best price" basis. Companies pay an average of 23 percent less for flights with preferred suppliers than alternatives (taking into account any available back-end rebates) and 5-14 percent less for room nights, depending on the hotel category.

The most effective policies mandate the use of preferred suppliers and provide guidelines on the procedure to follow if they are unavailable. Yet only 29 percent of companies mandate the use of preferred airlines whenever possible, while only 13 percent mandate preferred hotels. With preferred hotels, compliance ranges from 22-47 percent in seven companies studied by CWT.

4. **Traveler comfort** (air class/hotel category) has a major impact on costs—companies can benefit from aligning their policy with standards in their sector. Companies generally make travel class/category rules mandatory. Most set a minimum flight duration for business class seating—this averages six hours and varies only slightly with traveler profiles (e.g., senior executives vs. other employees). Some companies also specify circumstances

*Carlson Wagonlit Travel (CWT), the world's leading travel management company, has conducted in-depth research into travel policy design and compliance. The resulting report, *Playing by the Rules: Optimizing Travel Policy and Compliance*, provides actionable insights to help travel managers evaluate their own policies and compliance measures and uncover opportunities for savings. To view a complete copy of this independent research, please go to www.carlsonwagonlit.com.

where higher classes or categories are authorized (e.g., when traveling with clients or more senior managers). For hotels, the category is implicit in the preferred properties. As compliance with this specific area of policy is generally high, adjustments to the authorized air seating classes or hotel categories can have a significant impact on costs. Some companies can benefit from benchmarking industry standards and identifying acceptable adjustments to their policy to achieve savings.

5. **Preferred booking channels** (offline and online booking through the travel management company) bring tangible benefits, including: lower prices, increased use of preferred suppliers, and enhanced service and security. Booking through the travel management company brings tangible benefits. Notably, hotel rates are on average 20 percent lower than when booked through alternative channels (i.e., booking directly with the property or using a Web booking site).

Similarly, a 2007 price benchmark published by corporate travel consulting company Topaz International* shows 13 percent lower airfares on average through the travel management company. Booking through the preferred channels also encourages travelers to use preferred suppliers more often—on average 9 percent more for air transactions and 15 percent more for hotels.

Surveyed travelers say they mainly book through alternative channels because they believe they can find lower prices, although this contrasts with the reality of pricing benchmarks. They also cite reasons related to product offering (e.g., a more conveniently-located hotel) and booking convenience.

**Improving
policy and
compliance can
help companies
save on average
20% of their
travel spend**

How CWT can help you improve compliance

CWT is pleased to offer a product collection designed to support the key steps to improve travel policy and program compliance:

- **CWT Policy Builder** helps build a foundation for improved compliance by assessing policy effectiveness, benchmarking with peers, and creating stronger, more effective policy-related documents. This product helps ensure your travel policy meets the demands of your budget and your travelers, and improves compliance.
- **CWT Program Management Center** provides policy compliance metrics, dashboards and drill-through reports available to identify compliance opportunities and monitor performance. The essential data provided through the *CWT Program Management Center* enables buyers to simplify, prioritize, and optimize their travel programs as a whole as well as specifically in the area of compliance.
- **CWT Policy Messenger** offers a solution that improves policy compliance by automatically informing travelers and/or supervisors via email when travel has been booked out-of-policy. By communicating customized compliance messages to travelers based on their actual bookings, you can take an active role in reinforcing compliance throughout the organization.
- **CWT Agency+ Card Reporting** allows you to monitor and increase overall agency, card, and policy compliance as well as negotiate better contracts with your suppliers. It identifies non-compliant travelers to help enforce and improve overall program compliance.

For more information about these products, please contact your CWT program manager.