



Lever Four: Increase policy compliance and optimize demand management

Together, a well-designed travel policy and compliance are the cornerstone of an effectively managed travel program. Best practices in both of these areas can lead to savings of on average 20 percent of total travel spend.⁵ These savings come from policy and compliance measures in five main areas: advance air booking, restricted airfares, preferred suppliers, traveler comfort (authorized air class/hotel category) and preferred booking channels.

Increasingly, as companies work to optimize their travel policy and compliance, they are also evaluating the reasons why business trips are taken and the return on investment, as well as the impact on the environment and travelers' work-life balance. As they integrate demand management into their travel program, some companies are introducing alternatives such as videoconferencing in their travel policy.

A well-defined travel policy with clear mandates can save companies as much as 8 percent of their total travel spend. Best practices in traveler compliance, which begin with a precise understanding of traveler behavior, can result in an additional 12 percent savings. CWT calculated this savings potential by comparing average market performance with best-in-class performance in five main areas:

- **Advance air booking**, which is best defined as reservations made at least two weeks before departure, represents the greatest opportunity for savings, as discounts sometimes exceed 50 percent of the ticket price.
- **Restricted airfares** can bring average savings of 24 percent on total air spend, even when the cost of changing or canceling negotiated flexible fares is taken into account. But only 4 percent of companies mandate restricted fares.
- **Preferred suppliers**, when used consistently, deliver lower overall costs than a mix of suppliers used on a "best price" basis. Companies pay on average 23 percent less for flights with preferred suppliers and 5-14 percent less per room night, depending on the hotel category.
- **Traveler comfort** (authorized air class/hotel category) is well covered in most travel

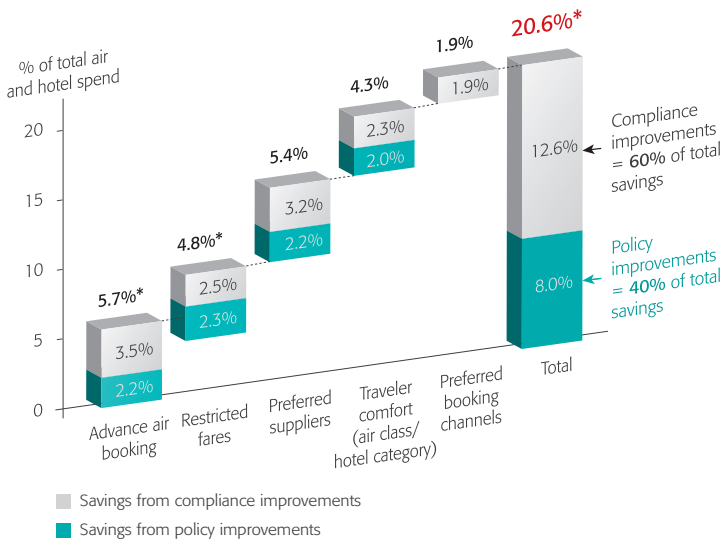
⁵ *Playing by the Rules: Optimizing Travel Policy and Compliance*, CWT Travel Management Institute (2008)

policies and compliance is usually high. Additional savings can be realized by aligning a company's travel policy with standards in its particular business sector. This could mean raising the minimum flight duration for business class flights or selecting preferred hotels in a lower category, as the price difference between each category is approximately 20 percent.

- Preferred booking channels (on- and offline booking through the travel management

company) bring tangible benefits, including lower prices, increased use of preferred suppliers, more productive use of travelers' time, and enhanced service and security. CWT found that although a vast majority of company travel policies mandate bookings through the travel management company, only 40 percent of those who have a corporate online booking tool even refer to it in their travel policy. Of those that do, only 26 percent mandate their use for point-to-point air travel and 2 percent for hotels.⁶

Figure 9: Companies can save on average 20% on total travel spend by improving policy and compliance in 5 main areas



Source: CWT Travel Management Institute

*Note: As restricted fares are typically available in advance, CWT calculates a 1.5% overlap in savings from improved performance in these two areas. This figure is deducted from the total savings, which become 20.6% instead of 22.1%.

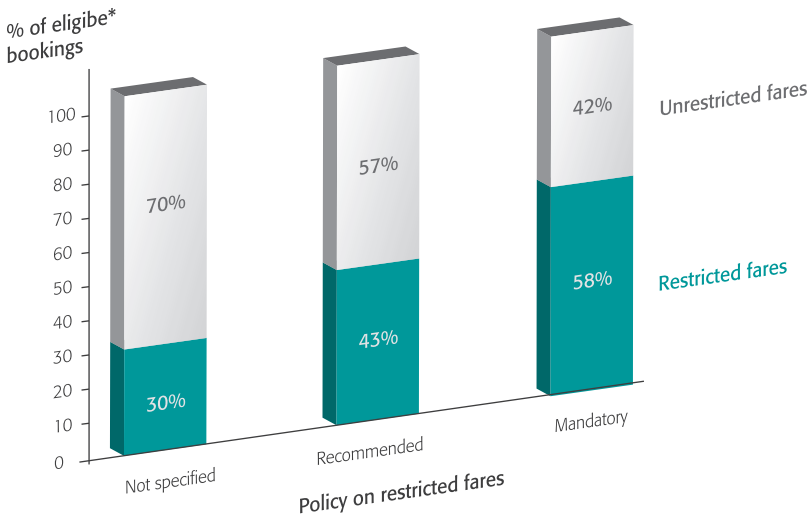
⁶ *Playing by the Rules: Optimizing Travel Policy and Compliance*, CWT Travel Management Institute (2008)

CWT has observed eight best practices for designing travel policies and increasing traveler compliance:

- **Engage management throughout the organization.** Senior management should play a key role in raising awareness of travel rules, helping overcome resistance to change and promoting compliance. Four points stand out: making senior management support visible to travelers, escalating the approval process for exceptions to rules, providing managers involved in pre-trip approval with the relevant information to query or refuse non-compliant bookings, and engaging team leaders in post-trip follow-up and feedback.

- **Provide travelers with guidelines that are clear and comprehensive.** A policy should cover each of the five main areas for savings and provide complete and precise guidelines for travelers to adhere to. Where the corporate culture allows, a travel policy should set mandates. These would include booking air at least two weeks in advance, using restricted airfares when available, booking only with preferred suppliers, stipulating air class and hotel category in conjunction with flight duration and the destination city respectively, and reserving only through the travel management company or the corporate online booking tool.

Figure 10: Travelers use more restricted fares when the travel policy clearly mandates their use
Use of restricted fares by policy requirement



Source: CWT Travel Management Institute, based on 562,751 transactions for 18 clients in 2006.
*Eligible bookings are those where a restricted ticket is available. This is based on the assumption that restricted fares are available in 80% of cases.

- **Standardize the travel policy regionally or globally.** By aligning rules and processes across business units and regions, travel managers can share best practices and reduce total travel spend by 12 percent on average.⁷
- **Promote compliance with the policy through communications and training.** Best-performing companies make the travel policy easily accessible online and available in local languages. They also ensure that any changes to the policy are communicated in a timely manner. Furthermore, the benefits of complying with the policy are clearly spelled out. In addition, all travelers and travel arrangers receive thorough training in the policy, as well as the booking processes and tools. Finally, progress reports are issued to keep travelers informed and motivated.
- **Drive compliance through point-of-sale measures.** Integrating the policy into the on- and offline booking processes can improve compliance considerably by directing travelers toward authorized options. An online booking tool can even go so far as to filter out non-compliant choices. Offline, companies should clearly define the level of involvement expected from counselors when travelers attempt to make non-compliant bookings. This can range from providing advice and compliant alternatives to refusing non-compliant bookings.
- **Track progress and take corrective action.** Travel managers should compare results by business unit or division and share the information with team leaders to boost compliance. It can also be worthwhile to identify non-compliant travelers and take targeted action such as a personalized email reminding travelers of policy rules. Furthermore, non-compliance reports can

indicate areas of the travel program that may need to be changed to better meet travelers' needs.

- **Benchmark industry performance.** Although a company's travel policy should reflect its culture and business priorities, benchmarking can ensure that a policy remains in line with evolving standards in the same sector. In addition, companies can identify further savings opportunities or highlight below-average results, including traveler compliance, by tracking their peers' performance in key areas of the travel program.
- **Leverage travel management expertise.** Travel management companies have a comprehensive view of the industry and its best practices. In addition, they have specialized professionals and technology to help companies more effectively design and implement their travel policy, as well as monitor and enforce compliance. By providing multilingual, Web-based traveler portals that facilitate communication of the travel policy, consolidated data reporting that highlights traveler compliance, and travel counselors who encourage compliance at the point of sale, they play a significant role. Finally, travel management companies can recommend the most appropriate initiatives to improve policy design and compliance on an ongoing basis.

Managing demand

Many companies today view demand management as one of the biggest opportunities they have to control or reduce costs without compromising their overall business goals and requirements. As costs for business travel continue to increase, companies realize that strategic sourcing and procurement may have limits. They

⁷ *Global Horizons: Consolidating a Travel Program*, CWT Travel Management Institute (2007)

also know that if a travel program is well managed on a continual basis, simply fine-tuning what has been done in the past will not have great impact. Consequently, they are integrating demand management into their thinking and taking targeted initiatives.

Although demand management helps to control costs, it brings more than that to a travel program. By cutting back on travel, companies are helping to protect the environment and enabling employees to better balance their personal and professional lives. This is particularly important for attracting and retaining talented people.

Demand management has its roots in procurement practices. It addresses the drivers of spend, aligns purchases to business needs and eliminates unnecessary consumption. It also applies change management principles to adapt behavior.

Business travel is essential to building relationships and driving growth. Nonetheless, some business trips can be replaced with alternative means for reaching the same objectives. Thanks to significantly improved technology, Web-, video- and teleconferencing have become viable alternatives in some cases.

Integrating demand management into a travel program requires:

- A **structured approach** with processes and tools to foster sustainable results
- **Robust data and fact-based information** to disclose spending, understand what drives demand, support decision-making, monitor performance against established goals, optimize benchmarking, and communicate effectively throughout the organization

- Clearly communicated and well-implemented **alternatives** to travel such as Webinars and videoconferencing
- **Accountability** and ownership at all levels of the organization to increase cost awareness, responsibility and commitment
- **Change management** to reduce resistance and permanently instill new practices

Reducing consumption is at the heart of demand management. To that end, companies are asking the following questions as they pertain to business travel:

- What are the **objectives** of a particular business trip? How will **return on investment** be measured?
- Can the objectives be achieved through **means other than travel**?
- What is the **added value** of taking this trip?
- **Who needs to travel** to reach the stated objectives?
- Can we cut down on the **number of travelers** and still meet our objectives?
- How can we reduce the **frequency** of travel?
- How can we integrate demand management into our **travel policy, approval processes, performance measurements** and at the **point of sale**?

When demand management, which focuses on better understanding the rationale behind business trips and reducing unnecessary travel, is coupled with strategic sourcing, which emphasizes getting the best price from suppliers for specified products and services, bottom-line savings and cost avoidance result. It is no wonder the practice has become an increasingly important lever to effective travel management.