

Toward Excellence in Online Booking

a CWT white paper

A CWT research initiative

In 2005, Carlson Wagonlit Travel founded the **CWT Travel Management Institute (TMI)**. The principal aim of this institute is to conduct fact-based research into **effective travel management** practices for the benefit of CWT clients worldwide. To this end, the CWT TMI draws on the company's global resources and expertise in business travel management. The institute's latest research is focused on online booking and its role in today's global business travel market.

Toward Excellence in Online Booking is a CWT research initiative into 153 companies with a travel budget of more than \$5 million and headquarters principally in North America, Europe and Australia. The aim was to explore the lessons learned by the early online booking adopters which could benefit new and potential users in today's global business travel market. Unique in its geographical span and methodology, CWT's research was conducted from July to November 2005 in two phases, starting with 10 case studies and concluding with a survey of 143 companies from a broad cross-section of industries and nationalities. The key findings, which form the basis of CWT's handbook, *Toward Excellence in Online Booking*, are summarized below.

- **Companies can reduce their total travel spend by up to 10 percent, from combined savings on airfares and booking fees, resulting in payback within one year in over half the cases.**

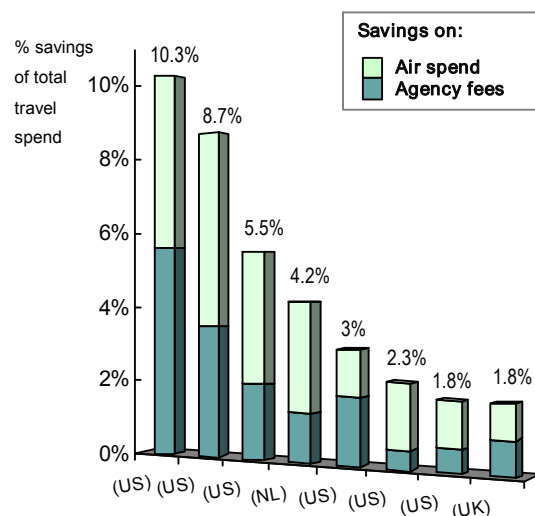
Savings on airfares

Online bookings result in savings on *average ticket price (ATP)* of 5 percent on average and can represent as much as 15 percent.

Savings on transaction processing costs

Companies can reduce transaction costs (which constitute 3 to 5 percent of travel spend) by shifting from a full-service phone transaction to an online transaction. The difference between online and offline transaction charges in North

America and Europe typically reaches up to 50 percent.



Source: CWT TMI sample of company case studies



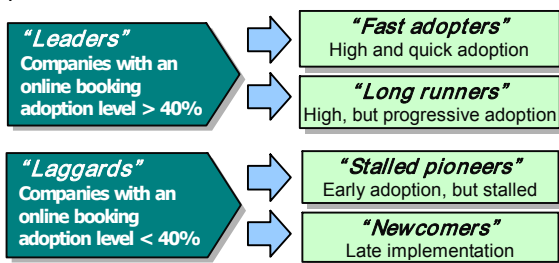
Payback of the investment

For 60 percent of the companies surveyed, payback was achieved in less than one year. And for 89 percent, the return was within two years. Return on investment depends on level of adoption.

- Online booking performance – defined in terms of level and speed of adoption – varies by a factor of five.

The “Leaders” and “Laggards”

Among the surveyed companies, two principal groups of performers emerged as defined by their level and speed* of adoption: the *leaders* and the *laggards*. Within these two groups, there were four sub-groups of performers: the leaders constituted by *fast adopters* (radical and speedy adoption) and *long runners* (more progressive ramp-up); and the laggards constituted by *stalled pioneers* (began implementation relatively early, but subsequently halted) and *newcomers* (only recently completed implementation). CWT’s findings revealed that on average, adoption levels and speed varied by a factor of ~5 among the four sub-groups of performers.



Geographic location is not a major factor

When comparing the companies’ performance levels between the regions, the findings revealed that adoption levels varied by a factor of ~1.5 only, with the North Americans at 50 percent and the Europeans at 35 percent. But the North American companies are currently leading in adoption levels principally because they started implementation earlier. In terms of speed of adoption, on average the regions were on a par. Overall, performance levels were similar for each corresponding sub-group, whether based in North America or Europe.

*speed: expressed in points of adoption per quarter

- There are two principal factors which influence performance: company culture and financial conditions. Companies can, however, boost on-line adoption by combining the use of four key drivers.

Company culture

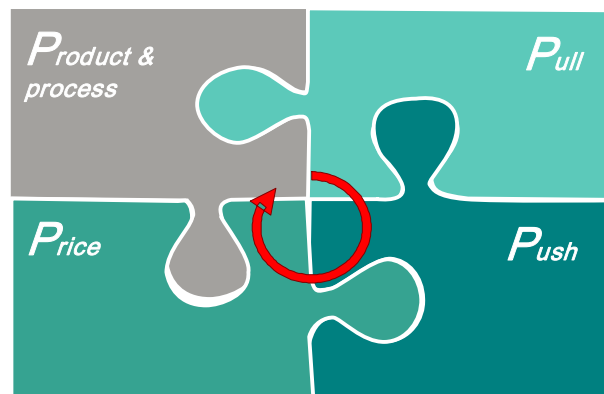
Companies with the greatest speed of adoption tended to have one or more of the following attributes: the ability to adapt to change very easily; a strong do-it-yourself culture; a widely shared and systematically measured methodology to improve process performance; an e-culture wherein employees are technology-driven; and/or a mandatory culture wherein decision-making is a top-down process.

Financial conditions and pressure to reduce costs

When a company’s financial conditions were characterized as just “fair” or “less favorable”, indicating high pressure to reduce costs, there was greater potential to achieve a higher adoption level.

The 4 Ps to drive online adoption

Companies tend to combine four key drivers to drive online adoption – the 4 Ps.



- **Product and process:** includes ongoing actions to ensure the booking process is user-friendly and efficient and that its functionalities are appropriate, accessible and visible on the company intranet; integration/automation of the booking process, including pre-trip and expense management workflows; and the evolution of the service configuration.
- **Price differential:** internal communications about differences in pricing between online and offline transactions.

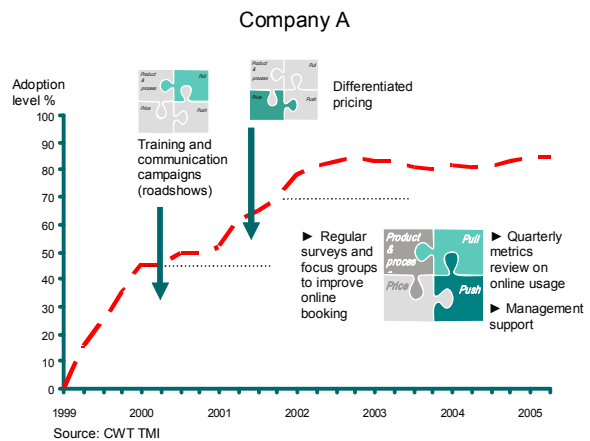
- **Push from management:** actions to encourage bookers to use online tools, such as tracking non-online bookers; implementation of barriers to access call centers, including voice prompts directing travelers to the booking tool; reducing service level agreements (SLAs); and mandates from management.
- **Pull through training and incentives:** actions favoring change, such as ongoing training, incentives and rewards; communications; and statistical comparisons between departments and business units within the company.

CWT's five-step methodology

Investment in an online booking tool may or may not be the right strategy for a company. Or it may simply not be the right time. To help companies decide whether to invest and ultimately to maximize their online booking strategy, CWT has developed a five-step methodology which capitalizes on its experience in North America and deep-seated knowledge of the European business travel market. The methodology takes companies through each step from initial strategy definition to roll-out and program steering for optimum adoption.

A holistic approach is needed

The most effective approach in driving online adoption is to combine several sets of actions. Among CWT's case studies, Company "A", a major North American professional services firm, achieved an 80-percent adoption level within three years. Training and communication campaigns were introduced in the first year of its online booking implementation and the adoption level subsequently rose by 25 points in less than six months. Differentiated pricing was later introduced and travelers were made accountable for their travel costs. For the same period, a combination of three different drivers – product and process, pull and push – were used on an ongoing basis. Initiatives included regular surveys and focus groups for online booking improvement, quarterly metrics reviews on online usage and management support. As a result of these actions, an 80-percent adoption rate was achieved.



The time is right for companies in Europe to adopt online booking

Penetration of online booking is currently higher in North America than in Europe. Of the North American companies surveyed, 80 percent have implemented an online booking tool, compared to 30 percent in Europe. It is expected, however, that Europe will catch up within the next two to three years. The North American companies' head-start in the initial move to online booking can be attributed to the earlier elimination of commissions in North America than Europe and a less diversified business travel environment. In Europe, the early online booking tools could not address the complexity of the business travel market, which is characterized by a heavier reliance on rail travel, the need for pre-trip approval, a multi-GDS environment and greater content diversity.

From their relatively simple beginnings in the mid-1990s, online booking tools are now able to handle multinational itineraries, international currencies, advanced hotel features, off-site car rental, and low-cost carrier and rail bookings. Clearly, the factors holding the European companies back have been greatly reduced.

For more information about CWT's five-step methodology and details on how our online experts can help your company, please contact your account manager or email: onlineconsulting@carlsonwagonlit.com

