Welcome to the CWT Travel Management Institute research series

The CWT Travel Management Institute conducts in-depth research into effective travel management practices to help clients of Carlson Wagonlit Travel (CWT) worldwide derive the greatest value from their travel program.

Drawing on the global resources of CWT, the institute aims to provide a regular flow of business intelligence and best practices, offering actionable insights.

This latest research focuses on how companies can optimize their travel policy and improve traveler compliance. It is one of the eight key levers to effective travel management identified by CWT and explored in a series of research initiatives.

Recent research published by the CWT Travel Management Institute includes:
- Global Horizons: Consolidating a Travel Program (2007)
- Toward Excellence in Online Booking (2006)
- Effective Travel Management: Key Planning Priorities in Today’s Dynamic Environment (2005)

Eight key levers to effective travel management:

1. Provide the right services and assistance to travelers and optimize transaction processing
2. Tackle hotel spend in a disciplined and professional manner
3. Continue to drive air and ground transportation savings
4. INCREASE POLICY COMPLIANCE AND OPTIMIZE DEMAND MANAGEMENT
5. Further consolidate travel programs
6. Address security needs and corporate social responsibility
7. Integrate meetings and events in the travel program to control and optimize the related spend
8. Develop executive dashboards and actionable performance measures

This research focuses on policy and compliance. Demand management will be addressed in upcoming research.
Overview

Companies can realize double-digit savings by optimizing their travel policy and increasing traveler compliance according to the latest research by the CWT Travel Management Institute.

Together, policy and compliance are a cornerstone 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, while significant opportunities are ignored or inadequately addressed in their travel policy.

In particular, key travel rules are not updated often enough to reap the full benefits of supplier pricing models as they evolve. Moreover, traveler compliance, which is critical to the success of a managed travel program, is lower than companies would like and presents an increasing challenge as they consolidate their travel program. Understanding the reasons why travelers book out of policy is the first step to managing compliance more effectively.

This CWT research identifies the ways to improve travel policy and compliance for measurable results. These are presented in *Playing by the Rules: Optimizing Travel Policy and Compliance.*
Research objectives

The CWT study focuses on three main objectives:

1. Provide a clear overview of industry performance in travel policy design and traveler compliance.

2. Calculate the savings companies can realistically achieve by adopting best practices.

3. Identify the keys to success in managing travel policy and compliance effectively.
About this research

For a global, in-depth understanding of policy and compliance issues, CWT applied a range of research techniques. These fall into three broad categories:

- **Benchmark studies**
  - A travel policy benchmark involving 87 CWT clients
  - A benchmark of hotel pricing via eight booking channels, comprising 262 price queries on 47 hotels in 25 cities and 19 countries worldwide

- **Surveys**
  - A detailed questionnaire on travel policy and compliance completed by 57 travel managers
  - A questionnaire on policy awareness and compliance completed by 6,447 travelers and travel arrangers
  - A point-of-sale telephone survey of 324 travelers making a non-compliant booking

- **Transaction analyses**
  - A global analysis of several million transactions made by CWT clients worldwide
  - A special focus on 22 companies of particular interest due to their travel policies and patterns
  - In-depth case studies of four companies that have recently improved their travel policy and compliance
  - A review of credit card data for air and hotel transactions provided by seven companies, matched with CWT transaction data

Carried out in 2007, the research involved a wide sample of companies in terms of industry, travel spend (starting at US$5 million) and region of headquarters, as shown in Figure 1. Among the survey respondents were travelers and travel arrangers from across Europe, North America and Asia Pacific, as shown in Figures 2-3.
Figure 1: Breakdown of companies in the CWT travel policy benchmark by sector and travel spend

- Advertising/media: 4%
- Transportation/logistics: 6%
- Telecommunications: 7%
- Pharmaceuticals: 8%
- Heavy industry: 13%
- Technology: 19%
- Chemicals: 5%
- Consulting/outourcing: 6%
- Consumer goods: 6%
- Energy: 12%
- Financial services: 9%
- Food/beverages: 5%

North America: 36%
Europe: 49%
Asia Pacific: 11%

Sample size: 87 companies

Figure 2: Breakdown of surveyed travel managers by region and scope of responsibility

- Purchasing/procurement director: 13%
- Global travel manager: 35%
- National travel manager: 27%
- Regional travel manager: 23%
- Finance director: 2%

North America: 40%
Europe: 49%
Asia Pacific: 11%

Sample size: 57 respondents

Figure 3: Breakdown of surveyed travelers and travel arrangers by region and profile

- Travelers who book their own trips: 38%
- Travelers who do not book their own trips: 43%

North America: 36%
Europe: 62%
Asia Pacific: 2%

Sample size: 6,447 respondents
Source: CWT Travel Management Institute
Key findings

This CWT research highlights three key findings:

1. Companies can save on average 20 percent of total travel spend by optimizing travel policy and compliance. A significant gap currently exists between average market performance and best-in-class performance. While travel managers are increasingly focused on improving compliance, they should also look critically at their policy. Many policies need to be more clearly defined and certain mandates distinctly spelled out to improve compliance.

2. Savings come from improvements in five main areas:
   - **Advance air booking** represents the greatest opportunity for savings, with discounts sometimes exceeding 50 percent of ticket price.
   - **Restricted airfares** can bring savings compared to fully flexible fares, even when the cost of changes or cancellations is taken into account.
   - **Preferred suppliers**, when used consistently, represent lower overall costs than a mix of suppliers used on a “best price” basis.
   - **Traveler comfort (air class/hotel category)** has a major impact on costs—companies can benefit from aligning their policy with standards in their sector.
   - **Preferred booking channels** (on- and offline booking through the travel management company) bring tangible benefits, including lower prices, increased use of preferred suppliers, and enhanced service and security.

3. There are eight keys to success:
   CWT has observed a number of best practices for designing travel policies and boosting traveler compliance. These include:
   - Engaging management throughout the organization
   - Providing travelers with clear, comprehensive guidelines
   - Standardizing the policy regionally or globally
   - Promoting compliance through communications and training
   - Driving compliance through point-of-sale measures
   - Tracking progress and taking corrective action
   - Benchmarking industry performance
   - Leveraging travel management company expertise
1. Twenty percent savings from improvements to policy design and compliance

A significant gap currently exists between average market performance and best-in-class performance. While travel managers are increasingly focused on improving compliance, they should also look critically at their policy. Many policies need to be more clearly defined and certain mandates distinctly spelled out to improve compliance.

Where are the main savings opportunities?

CWT calculated this 20 percent savings potential by comparing average market performance with best-in-class performance in five main areas: advance air booking, restricted airfares, preferred suppliers, traveler comfort (air class/hotel category) and the use of preferred booking channels (see Page 10-11 for an overview of the methodology and Pages 12-13 for further details).

The results show that rules pertaining to preferred suppliers and traveler comfort (air class/hotel category), which are typically the focus of cost-saving efforts, are not the only source of significant savings. Companies can benefit by improving performance across the board, as shown in Figure 4.

Improvements to policy can bring significant savings—even without any further measures to boost traveler compliance. In fact, the room for improvement may seem surprising: CWT calculates that companies using best practices to redesign their policy can save as much as 8 percent of total travel spend.

Best practice in traveler compliance, on the other hand, can save a further 12 percent of total travel spend. This figure is conservative compared with the potential savings estimated by 57 surveyed travel managers (17 percent).
Companies can save on average 20% on total travel spend by improving policy and compliance in 5 main areas.

- **Savings from compliance improvements**: 20.6% (60% of total savings)
- **Savings from policy improvements**: 8.0% (40% of total savings)

*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%.

Source: CWT Travel Management Institute
CWT has created a model to calculate the savings companies can realize when they improve their travel policy and traveler compliance. Based on client transaction data and case studies, this model compares average market performance with best-in-class performance in five main areas: advance air booking, restricted airfares, preferred suppliers, traveler comfort (air class/hotel category) and the use of preferred booking channels. To determine the separate impact of policy and compliance measures, a four-step approach is applied. Advance booking is used in the following example:

1. **What impact can best practice policy measures have on traveler booking behavior?**

How many days earlier do travelers tend to book if the policy changes from “as soon as possible” (industry average) to mandatory booking at least 14 days in advance (best practice)?

→ *Travelers book 1.6 days earlier*
2. What impact can best practice compliance measures have on traveler booking behavior?

How many days earlier do travelers tend to book when measures to reinforce compliance are introduced?

▶ Travelers book a further 2.5 days earlier

3. What impact can changes in traveler booking behavior have on costs?

What is the typical cost reduction for each extra day in advance travelers book?

▶ 1 day = -2 percent of air spend

4. What is the cumulative impact of best practices in both policy and compliance?

How do overall changes in traveler booking behavior translate into savings?

▶ Total changes to traveler behavior (1.6 days + 2.5 days = 4.1 days) x impact per day (-2 percent) = total savings potential (-8.2 percent of air spend or -5.7 percent of total travel spend)

Note: to calculate savings as a percentage of total travel spend, the model uses a ratio of 70 percent air and 30 percent hotel spend.

Figure 5 details the calculations made by CWT in each of the five main areas, along with the relevant sources of information (industry benchmark, case studies, etc.).
Figure 5: Calculating the savings potential of optimized travel policy and improved traveler compliance: required changes and financial impact

<table>
<thead>
<tr>
<th>Change in travel policy</th>
<th>Savings impact on total spend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advance air booking</strong></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td>Changing policy from booking <strong>as soon as possible to at least 14 days in advance</strong> results in travelers booking on average 1.6 days earlier (from 9.8 to 11.4 days before departure)</td>
</tr>
<tr>
<td><strong>Restricted fares</strong></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td>Changing policy on restricted fares from <strong>recommended to mandatory</strong> increases their use by 14% (from 40% to 54% of tickets)</td>
</tr>
<tr>
<td><strong>Preferred suppliers</strong></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td>Asking travelers to <strong>systematically select preferred airlines instead of taking the lowest fare regardless of the airline</strong> reduces the average ticket price by 3.1%</td>
</tr>
<tr>
<td>Hotel</td>
<td><strong>No change:</strong> 88% of policies already mandate the use of preferred hotels</td>
</tr>
<tr>
<td><strong>Traveler comfort (air class/hotel category)</strong></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td><strong>Increasing the minimum flight duration for business travel from 4 to 6 hours</strong> reduces the use of business class by 1 percentage point (to 9.5% of all flights)</td>
</tr>
<tr>
<td>Hotel</td>
<td>Replacing 20% of program hotels with a hotel in the <strong>next lower category</strong> reduces the average room rate by 3.3%</td>
</tr>
<tr>
<td><strong>Preferred booking channels</strong></td>
<td></td>
</tr>
<tr>
<td>Air</td>
<td><strong>No change:</strong> 91 percent of policies already mandate booking through the travel management company</td>
</tr>
<tr>
<td>Hotel</td>
<td><strong>No change:</strong> 80% of policies already mandate booking through the travel management company</td>
</tr>
</tbody>
</table>

**Total savings:**
- Minus overlap between advance booking and restricted fares: **8.7%**
- **Net savings:** **8.0%**
<table>
<thead>
<tr>
<th>Improvement in compliance</th>
<th>Savings impact on total spend</th>
<th>Total savings impact</th>
<th>Sources</th>
</tr>
</thead>
</table>
| Enforcing compliance with advance booking policy results in travelers booking on average 2.5 days earlier | 3.5%                          | 5.7%                | - Industry benchmark of 23 companies  
- Analysis of advance booking discounts on 13 representative domestic and international routes for 46 clients                                                                                                                                                                                                                     |
| Moving from average to best-in-class performance on restricted fares increases their use by 15 percentage points | 2.5%                          | 4.8%                | - Industry benchmark of 18 companies and detailed case studies  
- Average gap observed between fully flexible negotiated fares and the cost of restricted fares including penalties is based on ticket price sampling for 3 routes and average change/cancellation rates for 13 companies                                                                                                                                 |
| Reinforcing controls on the use of preferred airlines increases their use by 20% (from 50% to 70% of all flights) | 1.8% 3.2%                     | 5.4%                | - Industry benchmark of 13 companies and detailed case studies  
- Impact of volume discounts based on the CWT study Global Horizons: Consolidating a Travel Program (2007)                                                                                                                                                                                                                       |
| Moving from average to best-in-class performance on preferred hotels increases their use by 20% (from 40% to 60%) | 1.4% 2.3%                     | 4.3%                | - Industry benchmark of spend on preferred and non-preferred hotels at 7 companies  
- Impact of volume discounts based on the CWT study Global Horizons: Consolidating a Travel Program (2007)                                                                                                                                                                                                                       |
| Reinforcing controls on the unauthorized use of business/first class increases the use of economy class by 2.5 percentage points | 2.3% 2.3%                     | 4.3%                | - Based on the flight patterns of 3 major companies  
- Price impact of moving from business to economy class is based on fares paid by 3 major companies, route by route across all flights                                                                                                                                                                                                 |
| No change                                                                               | -                             | -                   | - Price impact of changing hotel categories is based on 178,328 transactions in three major cities                                                                                                                                                                                                                                      |
| Moving from average to best-in-class performance on preferred booking channels increases TMC bookings by 8% (from 87% to 95%) | 0.5% 1.9%                     | 1.9%                | - Industry benchmark of booking channel compliance at 4 major companies  
- Price difference between booking through the TMC and through airline and public Websites is based on a benchmark by Topaz International (April 2007)                                                                                                                                 |
| Moving from average to best-in-class performance on preferred booking channels increases TMC bookings by 25% (from 50% to 75%) | 1.4% 13.4% 22.1% - 0.8% 12.6% 20.6% | 1.9%                | - Industry benchmark of compliance at 5 major companies  
- Difference between booking through the TMC and other channels is based on 262 hotel price samples for 47 hotels in 25 cities                                                                                                                                                                                                   |
Where is the room for improvement in policy design?

As a general rule, two main aspects of policy design have an impact on traveler behavior and savings. These are coverage—how many of the five key savings areas are addressed—and effectiveness—which rules or guidelines are provided and how clearly they are defined (e.g., whether they are mandatory or simply recommended).

The CWT benchmark survey of 87 corporate travel policies from around the world revealed considerable room for improvement on these measures. Performance is fairly homogenous in some areas and varies widely in others. For example, preferred booking channels are covered by 96 percent of policies and in a precise manner by 93 percent. On the other hand, only 63 percent of policies cover restricted fares and only 4 percent do so effectively. These findings are summarized in Figure 6 and detailed in Key Finding 2 (Pages 19-61).

**Figure 6: Travel policies vary in terms of coverage and effectiveness**

Coverage and effectiveness of travel policies per rule

The following policy positions are rated as “effective”:

**Air**
- Advance booking: mandatory 14+ days in advance
- Restricted fares: mandatory
- Preferred airlines: always favored, instead of lowest fare
- Class: business class for flights lasting 6+ hours only
- Booking channel: mandatory online or offline booking through the travel management company

**Hotel**
- Preferred hotels: always favored (instead of lowest fare) and clear instructions if unavailable
- Booking channel: mandatory booking through the TMC

Source: CWT Travel Management Institute
Based on a CWT travel policy benchmark (87 companies)
Traveler compliance—an issue for all companies—also shows considerable room for improvement.

In an analysis of 5,226 transactions, **50 percent of air transactions** fail to comply with at least one rule. Similarly, a study of more than 200,000 hotel transactions shows **60 percent** of these are non-compliant (see Figures 7-8).

Figure 7: In a typical example, 50% of air transactions break at least one key travel rule

Transactions are considered non-compliant only if a compliant option is possible. The following assumptions are used regarding the availability of compliant options: 40% of trips can not be booked 14 days in advance due to late trip decision; non-preferred airlines are unavailable in 10% of cases; restricted fares unavailable at the time of booking in 20% of cases; all bookings could be made through the TMC.

* Data on booking outside preferred channels was unavailable for this company, so the average of four other companies studied was used.

Source: CWT Travel Management Institute
Based on 5,226 CWT client transactions, January - May 2007
Figure 8: More than 60% of hotel transactions break at least one travel rule

Transactions are considered non-compliant only if a compliant option is possible. Assumptions: preferred hotels in the required location are unavailable at the time of booking in 25% of cases and all bookings could be made through the TMC.

Source: CWT Travel Management Institute
Based on transaction data for 5 companies in 2007 (US$76.8M spend)
What are the main reasons for traveler non-compliance?

The starting point for improving compliance is understanding the reasons why travelers book out of policy. While travel managers believe **personal preference** is the main reason for non-compliance, travelers rate it behind **practicality** and **pricing**, as shown in Figure 9. Although travelers may have a tendency to understate the role of personal preference when booking (e.g., the ability to collect frequent flyer points), some non-compliance inevitably occurs when suitable compliant options are unavailable (e.g., preferred hotels may not be available at all times or cover all necessary locations).

A detailed analysis of non-compliance can indicate areas where the travel policy may need to be adjusted, as well as areas where compliance measures can be improved. Non-compliance is presented in more detail in Key Finding 2 (Pages 19-61), while keys to success are discussed in Key Finding 3 (Pages 62-79).

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**Figure 9: Travel managers and travelers have different views on the main reasons for non-compliance**

<table>
<thead>
<tr>
<th>Importance of reasons behind choice of non-preferred airline</th>
<th>Importance of reasons behind choice of non-preferred hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travelers' view</td>
<td>Travel managers' view</td>
</tr>
<tr>
<td>High</td>
<td>Practicality$^1$</td>
</tr>
<tr>
<td>Medium</td>
<td>Better pricing</td>
</tr>
<tr>
<td>Low</td>
<td>Personal preference$^2$</td>
</tr>
</tbody>
</table>

$^1$Practicality includes proximity of hotel to business destination, scheduling and availability of flights

$^2$Personal preference includes use of frequent flyer program, comfort and overall preference

Source: CWT Travel Management Institute
Based on CWT surveys of travel managers (54 responses) and travelers (4,889 responses)
Surveyed travel managers said they are aiming to boost compliance with key policy items over the next three years, building on progress already made (see Figure 10). To do so, they intend to reinforce existing initiatives such as regular reporting and communications while introducing tougher measures such as requiring the travel management company to refuse non-compliant bookings, implementing strict sanctions against non-compliant travelers and targeting action against systematic offenders. These measures are discussed further in Key Finding 3 (Pages 62-79).

What levels of compliance are travel managers aiming for?

Figure 10: Travel managers aim to improve compliance with all travel rules significantly in the next 3 years

Estimated compliance with policy items

Source: CWT Travel Management Institute, based on a CWT survey of travel managers (38 responses)
2. Savings in five main areas

The CWT study highlights considerable scope for companies to optimize their travel policy and improve traveler compliance in the following areas: advance air booking, restricted airfares, preferred suppliers, traveler comfort (air class/hotel category) and the use of preferred booking channels (i.e., travel management company agents and corporate online booking tools). Each of these areas represents significant savings opportunities that are currently under-exploited by companies, as explained below.

1. Advance air booking

What impact does advance air booking have on ticket price?

There is plenty of evidence that booking in advance brings significantly lower fares. An analysis of 33,000 transactions made by 46 companies on 13 routes shows that prices are, on average, 2 percent lower per day during the two weeks before a flight (see Figure 11). Depending on the class of travel and route, the average ticket price can be more than 50 percent lower when booked at least 14 days in advance (see Figure 12).

Figure 11: The average ticket price rises by approximately 2% for each day closer to the departure date

Source: CWT Travel Management Institute
Based on 33,639 transactions by 46 companies on 13 representative domestic and international routes worldwide in 2007
The price advantage of booking early is particularly marked for economy fares (see Figure 13). In addition, advance booking discounts are generally larger in highly competitive markets. For example, domestic carriers in the United States tend to offer discounts that are more than four times the size of those offered in France, where the national airline is the only carrier on many domestic routes (see Figure 14). In markets that are highly regulated (e.g., China) or where demand exceeds supply (e.g., India), the price advantage of booking in advance is sometimes smaller.
Figure 13: Advance booking discounts are more significant for economy than business class

Average ticket price for Paris-New York round trips booked in France

Source: CWT Travel Management Institute
Based on consolidated client transaction data, Q1 2007 (1,079 economy and 730 business class transactions)
How much room do companies have to improve advance booking?

Advance booking clearly offers savings, but companies do not take full advantage of them. Despite the fact that some trips are decided at the last minute, travelers have the opportunity to book earlier in many cases. Currently, many do not book as soon as the decision to travel is made: CWT research shows that only 33 percent of trips are booked at least two weeks in advance, although the decision to travel is made early enough to allow a total of 47 percent of trips to be booked within this timeframe (see Figure 15).
The most room for improvement lies with a small proportion of travelers. Booking patterns vary widely across the traveler population. One case study revealed as few as 25 percent of travelers made as many as 60 percent of late bookings. In contrast, 30 percent of travelers always booked at least 14 days before departure (see Figure 16). Interestingly, travelers book noticeably earlier when they reserve first-class seats: 70 percent are booked at least two weeks in advance, compared to 42 percent for business class and 36 percent for economy (see Figure 17).
Companies may therefore wish to identify how much late booking could be avoided and take steps to increase advance booking. One major way is to word their policy more effectively. Ideally, advance booking should be mandatory and defined as at least two weeks in advance.

- **Mandatory.** While 77 percent of companies include advance booking in their policy, only 15 percent state that it is mandatory (see Figure 18).

- **At least two weeks in advance.** Among companies that mention advance booking, only 30 percent define a timeframe of two or more weeks before departure. Twenty-five percent simply ask travelers to book as soon as possible, which as shown in Figure 19, appears to have no impact on booking behavior. Companies that specify a two-week deadline have the highest rate of advance booking. Clearly defining advance booking policy and explaining the financial benefits makes a significant difference.
Figure 18: Advance booking policy is often loosely defined

Advance booking rules and specified lead times

![Graph showing the percentage of companies in each category of advance booking policy.

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (79 policies)]

Figure 19: Companies that require travelers to book at least two weeks in advance obtain the highest rates of advance booking

Advance booking performance by policy requirement

![Graph showing the percentage of bookings by lead time specified in the travel policy.

Source: CWT Travel Management Institute
Based on a CWT travel policy benchmark and transaction data for 23 clients in Q4 2006]
What impact do restricted fares have on savings?

Restricted fares\(^1\) (including those offered by preferred airlines) cost considerably less than other fares as a general rule. The price difference applies to short-haul and long-haul flights in both business and economy class and is particularly marked for short-haul economy, where restricted fares can be more than 60 percent lower than negotiated flexible fares (see Figure 20).

**Figure 20: Restricted fares offer significant up-front discounts**

![Graph showing ticket prices for economy class short-haul and business class long-haul flights]  

Source: CWT Travel Management Institute  
Prices based on actual ticket availability at moment of testing (July 2007) and fares negotiated for a major European client  
Various restricted fares are available on each route; the greater the restriction, the lower the price

\(^1\) Restricted fares impose conditions such as advance purchase requirements, a minimum or maximum length of stay and financial penalties if the booking is changed or canceled.
Even when the cost of exchanging or canceling tickets is taken into account, companies that use restricted tickets when available tend to realize substantial savings. These reach on average **24 percent** of air costs on the relevant routes according to an analysis of a selection of domestic and international city pairs.

One main reason is that companies typically **change or cancel only 20-35 percent** of tickets—considerably fewer than is generally **believed**. This was revealed by an analysis of more than 10,000 transactions by 13 CWT clients from a wide selection of industries, as shown in Figure 21. The only noticeable exception was an investment bank, where changes or cancellations were made to 79 percent of tickets.

In the example shown in Figure 22, the company can save 25 percent of costs by using restricted fares even if it changes or cancels 30 percent of tickets.

**Figure 21:** Companies typically change or cancel 20-35% of tickets

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Source: CWT Travel Management Institute
Based on CWT ticket processing data (10,507 transactions included), May – June 2007
How much can companies improve the use of restricted fares?

Restricted fares are usually sold on a “first come-first served” basis. Their availability is therefore limited, which helps to explain why travelers are more likely to use restricted fares the earlier in advance they book, as shown in Figure 23.

Asking travelers to use restricted fares does, however, make a difference. When restricted fares are mandatory and available at the time of booking, travelers use them 58 percent of the time. This figure drops to 43 percent when restricted tickets are simply recommended and to 30 percent when they are not mentioned in the policy at all, as illustrated in Figure 24.
Use of restricted fares by policy requirement

**Figure 23:** Travelers are more likely to use restricted fares the earlier in advance they book

<table>
<thead>
<tr>
<th>Number of days booked in advance</th>
<th>% of bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>14+</td>
<td>51%</td>
</tr>
<tr>
<td>13-8</td>
<td>49%</td>
</tr>
<tr>
<td>7-3</td>
<td>28%</td>
</tr>
<tr>
<td>2-0</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on 2,523,709 CWT client transactions in 2006

**Figure 24:** Travelers use more restricted fares when the travel policy mandates their use

Use of restricted fares by policy requirement

<table>
<thead>
<tr>
<th>Policy on restricted fares</th>
<th>% of eligible bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not specified</td>
<td>30%</td>
</tr>
<tr>
<td>Recommended</td>
<td>43%</td>
</tr>
<tr>
<td>Mandatory</td>
<td>58%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on 562,751 transactions for 18 clients in 2006.

\(^1\) 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.
Yet only 4 percent of policies mandate restricted fares. Fifty-nine percent simply recommend restricted fares, while 37 percent do not mention them at all, as shown in Figure 25. Given the link between the availability of restricted fares and advance booking, any policy that promotes the use of restricted fares should also underline the importance of booking in advance.

Europe and Asia Pacific lag behind North America on these aspects of the policy according to a study of 87 travel policies (see Figure 26).

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**Figure 25: Most companies simply recommend restricted fares**

- **Recommended**: 59%
- **Mandatory**: 4%
- **Not specified**: 37%

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark

**Figure 26: North American policies on restricted fares and advance booking are the strictest**

- **Policy on restricted fares**
  - North America: 76% recommended, 24% not specified
  - Asia Pacific: 57% recommended, 43% not specified
  - Europe: 51% recommended, 49% not specified

- **Policy on advance booking**
  - North America: 63% recommended, 37% not specified
  - Asia Pacific: 50% recommended, 50% not specified
  - Europe: 35% recommended, 65% not specified

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (81 policies)
3. Preferred suppliers

What impact does using preferred suppliers have on savings?

Companies pay consistently lower average ticket prices or room rates when they use preferred suppliers. According to this latest CWT study, companies pay on average 23 percent less for flights with preferred suppliers than alternatives (taking into account any back-end rebates when applicable) and 5-14 percent less for room nights, depending on the hotel category (see Figures 27-28).

Figure 27: Preferred airlines offer lower average ticket prices

Reduction in average ticket price for preferred airlines vs. other airlines

Source: CWT Travel Management Institute
Based on 11,363 transactions for five companies in 2006

1 The weighted average reduction takes into account the number of transactions on each route
These figures may come as no surprise to most travel managers, who know they can enhance savings by concentrating volume on preferred suppliers and negotiating attractive volume-based discounts, as described in the CWT study *Global Horizons: Consolidating a Travel Program* (2007).

What may be more surprising, however, is that a policy of always favoring preferred airlines is more cost-effective than asking travelers to take the lowest fare regardless of the airline, as shown in Figure 29. The main reason is that companies with a lowest-fare policy are typically less able to make volume commitments to airlines during pricing negotiations and can not reach the higher thresholds required by airlines for additional volume-based discounts. This is something that can be pointed out to travelers through communications and training.

According to CWT calculations, companies that switch from a lowest fare policy to a preferred airline policy can save approximately 3 percent of air spend or 2 percent of total travel spend.
How are companies performing on preferred supplier policy?

Surprisingly, many policies can be improved regarding preferred suppliers. Currently, only 29 percent mandate the use of preferred airlines whenever possible (even when a lower fare is available with an alternative carrier), as shown in Figure 30.
For hotels, only 13 percent of policies mandate the use of preferred hotels where available, although a further 76 percent recommend them, as shown in Figure 31. In addition, 28 percent provide no guidelines for travelers on what to do when preferred properties are unavailable, such as asking the travel management company for advice or imposing price caps per city and/or limits on hotel categories (see Figure 32).
Figure 31: Most policies recommend the use of preferred hotels

Preferred hotel policy

1. Not specified

2. No precise guidelines for selecting hotel

3. Preferred hotels recommended

4. Preferred hotels or lower alternative rate recommended

5. Preferred hotels mandatory irrespective of rate

6. Lowest rate among preferred hotels recommended or mandatory

Preferred hotel favored: 69%

Discretionary: 20%

Areas included in guidelines

Follow recommendations of travel management company 18%

No guidelines 28%

City price cap and hotel category 8%

Hotel category 21%

City price cap 25%

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (79 policies)

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (65 policies)

Figure 32: 28% of companies do not provide guidelines on what to do when preferred hotels are unavailable
How compliant are travelers with preferred supplier policy?

Compliance with preferred hotel policy is generally low, ranging from 22-47 percent in seven companies studied by CWT (see Figure 33). Many companies can aim for higher compliance, even though they cannot expect 100 percent, as no preferred hotel program can cover all destinations.

Figure 33: 53-78% of hotel spend is with non-preferred hotels

Source: CWT Travel Management Institute
Based on transaction data and credit card spend data for 6 European companies in 2006.

1Hotel program coverage is the percentage of transactions which could be made at preferred hotels (i.e., the program offers at least one preferred property in the relevant city).
Surveyed travelers cited **proximity to their place of business and availability** as the main reasons why they book at a hotel outside the policy, as shown in Figure 34. Another important reason is travelers’ misperception that they can obtain better prices outside the policy. In addition, a minority of travelers admit that personal preference may influence their choice of an alternative hotel: 13 percent cite comfort, access to business/leisure facilities, loyalty program/personal connection, as well as a preference for specific hotels.

**Figure 34: Travelers cite mainly practical or price reasons for choosing alternatives to preferred hotels**

Source: CWT Travel Management Institute, based on a CWT survey of travelers (4,899 responses)
With **air**, transaction data suggests that compliance with preferred airline policy presents a particular challenge when travelers are loyal to other airlines. Travelers often have a preference for the legacy national carrier. For example, travelers from two French companies fly with Air France on seven out of eight routes on which Air France is not the company’s preferred carrier, as shown in Figure 35. A similar pattern is found with travelers from a German company who mainly use Lufthansa.

![Figure 35: Travelers tend to choose their national carrier even when it is not the company's preferred airline](image)

**Example of 2 European companies**

Source: CWT Travel Management Institute, based on 7,200 transactions for 2 major French companies in 2006
Although travelers are often loyal to certain airlines because of frequent flyer benefits, they give mainly **practical reasons** for choosing alternatives to their company’s preferred airlines: convenience of departure times, a preference for direct flights and availability of seating, as shown in Figure 36. Travel managers should investigate non-compliance for these reasons, which can indicate areas where the program could be adjusted to better match travelers’ needs. Finally, the belief that lower prices can be found outside the program is another significant reason for non-compliance and often a misperception that can be corrected by effective communications and training, as discussed in Key Finding 3 (Pages 62-79).

**Figure 36: Travelers cite mainly practical or price reasons for not choosing preferred airlines**

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of all responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience of departure time</td>
<td>27%</td>
</tr>
<tr>
<td>Preference for direct flights</td>
<td>17%</td>
</tr>
<tr>
<td>Availability of seating</td>
<td>16%</td>
</tr>
<tr>
<td>Better ticket pricing</td>
<td>16%</td>
</tr>
<tr>
<td>Follow arrangements of travel companions</td>
<td>10%</td>
</tr>
<tr>
<td>Preference for fully flexible tickets</td>
<td>5%</td>
</tr>
<tr>
<td>Loyalty program</td>
<td>4%</td>
</tr>
<tr>
<td>Personal comfort</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travelers (4,879 responses)
Although air class and hotel category rules are generally well covered in corporate travel policies, some companies can better align them with industry standards. As compliance with this area of policy is high, adjustments to the authorized levels of comfort—air seating classes or hotel categories—can have a major impact on costs.

How does adjusting air travel class policy impact savings?

Ninety-nine percent of the policies reviewed by CWT include rules on air travel class, which is unsurprising, given the significant differences in fares between economy, business and first. Nonetheless, companies can fine-tune their policy and realize further savings.

Most companies specify a minimum flight duration for business class travel (rather than frequency of travel or length of stay). This threshold is on average 6 hours (see Figure 37), varying only slightly with traveler profiles (e.g., senior executives vs. other employees), as shown in Figure 38.

**Figure 37: The threshold for authorizing business class is on average 6 hours**

<table>
<thead>
<tr>
<th>% of policies</th>
<th>1%</th>
<th>9%</th>
<th>28%</th>
<th>23%</th>
<th>21%</th>
<th>18%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Always</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-3 hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4-5 hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7+ hours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (84 policies)
Figure 38: The authorized travel class varies only slightly with traveler profile

74% of companies ask senior executives to respect a minimum flight duration for business class travel.

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (85 policies)
Clearly, raising this threshold can bring significant savings. In the example shown in Figure 39, a European company could save 8 percent of air spend by moving its threshold from four to seven hours because of the large number of flights in the six to seven-hour range (between Europe and the United States). Alternatively, removing thresholds and requiring travelers to take economy class for most flights—the most extreme policy—can save companies up to 35 percent of air spend. Before doing so, travel managers find it useful to benchmark standards in their sector to ensure their approach is not overly strict.

Figure 39: A company can save up to 35% of air travel costs by raising the threshold for business class
Estimated variation in air spend depending on threshold for business class

In general, companies have gradually taken a tougher approach to business class travel and travelers generally comply with air class rules. As a result, economy class travel has increased, reaching on average 89 percent of short-haul flights and 62 percent of long-haul flights in 2006, up from 61 percent and 42 percent respectively in 1997 (see Figure 40). Wide variations exist among sectors, however, as shown in Figure 41.
Figure 40: Companies are increasingly restricting the use of business and first class air travel

Source: IATA/ACTE Survey on Business Travel, 2007

Figure 41: The use of economy or business class varies widely among sectors

Source: CWT Travel Management Institute, based on transaction data, full year 2006
How does adjusting hotel category policy impact savings?

The hotel categories allowed by companies are implicit in the properties included in the travel program. Adjusting the selection of preferred hotels has a major impact on costs: the CWT research shows that the price difference between each category is approximately 20 percent (i.e., first category rooms cost 20 percent more than standard rooms, and deluxe rooms cost 40 percent more). This is illustrated in Figure 42, which shows the hotel rates paid by clients for three major corporate travel destinations, based on the CWT study of nearly 180,000 traveler transactions.

As mentioned earlier (Page 35), 13 percent of policies mandate the use of preferred properties when available, while a further 76 percent recommend their use. Many policies could be improved by providing guidelines if preferred properties are not available, such as asking the travel management company for advice or imposing price limits per city and/or limits on hotel categories. Currently only 28 percent of policies offer such guidelines, as mentioned on Page 35, Figure 32.

Figure 42: The price difference between each hotel category is approximately 20%

Price as a % of standard room rate in selected major cities

Source: CWT Travel Management Institute
Based on 178,328 transactions, January – March 2007
In the sample analyzed, companies had no spend at budget hotels in Frankfurt and New York
5. Preferred booking channels

Booking through the travel management company brings **tangible benefits**: lower hotel rates and airfares, increased use of preferred suppliers, and enhanced service and security. These benefits can be enhanced by using a corporate **online booking tool** in addition to offline services provided by the travel management company. Moreover, companies can more fully exploit these opportunities by improving overall performance in terms of policy design and compliance.

**How significant are the benefits of preferred booking channels?**

- **Lower hotel rates.** Prices obtained by booking through the travel management company are significantly lower than those obtained through Web booking sites.

A **20 percent difference** in hotel rates was observed in a CWT benchmark, which compared rates for rooms booked through the travel management company with rooms booked directly by phone, on a hotel Website or through a Web booking site, as shown in Figure 43.

Lower rates were observed for all types of hotels—preferred and non-preferred, chains and independent properties, all categories and especially deluxe hotels—across all regions (see Figures 44). In the case of preferred hotels, the study showed that when a traveler calling a hotel directly identified his or her company and asked for rates, hotels failed to offer the company’s negotiated rate in 67 percent of cases. When they did offer a corporate rate, it was on average 6 percent higher than the correct negotiated rate.

---

**Figure 43: Hotel room rates are 18-21% lower when booked through the travel management company**

Source: CWT Travel Management Institute.
Based on a CWT hotel price benchmark (262 price samples), June 2007
Web booking sites sampled: Expedia.com, Travelocity.com, HRS.com, Hotel.com and Kayak.com
Methodology for benchmarking hotel prices per booking channel

CWT compared prices on eight major booking channels (CWT, direct calls to hotels, hotel Websites and five Web booking sites: Expedia.com, Travelocity.com, HRS.com, Hotels.com and Kayak.com) for the same hotels in the same conditions (e.g., booking inquiries made on the same day for the same date of stay with breakfast included).

For a realistic simulation of traveler booking conditions, the study was carried out in cooperation with a major European company. In June 2007, a total of 262 prices were obtained for 47 hotels in 25 major travel destinations across 19 countries based on the company’s travel patterns. The hotels included chains and independent properties, both within and outside the corporate program, and a range of hotel categories.

Bookings were requested in the name of the company to gain access to negotiated rates where available. (Websites only post public “rack” rates.) The best rates obtained through the alternative channels were then compared with the best rates available through CWT.

Rates were recorded only if rooms were available.
Figure 44: Hotel rates are lower when booked through the travel management company

For preferred and other hotels

<table>
<thead>
<tr>
<th></th>
<th>Indexed rate (CWT rate = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preferred hotels</td>
<td>100, 111, 103, 104</td>
</tr>
<tr>
<td>Other hotels</td>
<td>100, 106, 109, 109</td>
</tr>
</tbody>
</table>

For chains and independent properties

<table>
<thead>
<tr>
<th></th>
<th>Indexed rate (CWT rate = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel chains</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>Independent properties</td>
<td>100, 106, 109, 109</td>
</tr>
</tbody>
</table>

For all categories of hotels

<table>
<thead>
<tr>
<th></th>
<th>Indexed rate (CWT rate = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deluxe</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>First</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>Standard</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>Economy/budget</td>
<td>100, 106, 109, 109</td>
</tr>
</tbody>
</table>

For all regions

<table>
<thead>
<tr>
<th></th>
<th>Indexed rate (CWT rate = 100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>100, 106, 109, 109</td>
</tr>
<tr>
<td>North America</td>
<td>100, 106, 109, 109</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT hotel price benchmark (262 price samples)
This price advantage of booking through the travel management company is obtained without compromising room availability and booking flexibility (i.e., no extra cancellation penalties are incurred). The only alternative that offers slightly better results is calling the hotel directly, as shown in Figure 45.

Figure 45: Booking through the travel management company provides competitive availability and flexibility

Source: CWT Travel Management Institute, based on a CWT hotel price benchmark (330 bookings)
Lower airfares. A similar pattern is true for air; prices are lower when booked through the travel management company compared to booking through public and airline Websites. In a price benchmark published in 2007², corporate travel consultancy Topaz International found a 13 percent difference in average ticket price (see Figure 46).

Figure 46: Airfares obtained through travel management companies consistently cost less than those obtained through Web booking sites

Pricing of business travel itineraries by booking channel

Itinerary price (US$)

Source: Topaz International pricing benchmark, April 2007

² Topaz International publishes regular comparative studies of corporate travel airfares booked by travel management companies and those available on public Websites and airline Websites.
Travel managers acknowledge that booking through the travel management company brings savings directly and indirectly. Eighty-six percent of the travel managers surveyed by CWT say travelers using alternative channels pay higher rates and weaken the company’s negotiating power with suppliers (see Figure 47).

Figure 47: Travel managers say that booking outside the travel management company increases costs

<table>
<thead>
<tr>
<th>Do you consider non-compliance with preferred channel policy as:</th>
<th>Yes</th>
<th>Partially</th>
<th>Not Really</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading to more expensive fares/rates</td>
<td>39%</td>
<td>47%</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>Weakening negotiation power with suppliers</td>
<td>64%</td>
<td>22%</td>
<td>12%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travel managers (50 responses)

Increased use of preferred suppliers. One of the key roles played by the travel management company is to steer travelers toward compliant bookings. The data indeed shows that travelers use preferred suppliers more often when they book through the travel management company than when they use other channels. For example, a study of transactions made by three major companies (two North American and one European) reveals that travelers use preferred airlines 12 percent more often for domestic transactions and 6 percent more often for international transactions (see Figure 48). In addition, a study of eight companies reveals that travelers use preferred hotels on average 15 percent more often when they book through the travel management company than through alternative channels, as shown in Figure 49.

Figure 48: Travelers use preferred airlines more often when they book through the travel management company

Source: CWT Travel Management Institute
Based on 26,291 CWT transactions and corporate credit card data for three companies in Europe and the United States in 2007
Figure 49: Travelers use preferred hotels more often when they book through the travel management company

Compliance with preferred hotel policy

<table>
<thead>
<tr>
<th>Company</th>
<th>Booked through the preferred channels</th>
<th>Booked through alternative channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>62%</td>
<td>18%</td>
</tr>
<tr>
<td>A</td>
<td>53%</td>
<td>19%</td>
</tr>
<tr>
<td>L</td>
<td>49%</td>
<td>20%</td>
</tr>
<tr>
<td>B</td>
<td>47%</td>
<td>19%</td>
</tr>
<tr>
<td>G</td>
<td>43%</td>
<td>30%</td>
</tr>
<tr>
<td>D</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>E</td>
<td>41%</td>
<td>35%</td>
</tr>
<tr>
<td>F</td>
<td>48%</td>
<td>19%</td>
</tr>
<tr>
<td>Average</td>
<td>33%</td>
<td>++15%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute
Based on CWT client transactions and corporate credit card data, 2006
Reduced use of deluxe hotels. Travelers who book through the travel management company are also less likely to use deluxe hotels. Figure 50 shows that travelers from three European companies who book directly with hotels spend twice as much at deluxe hotels than those who book through the travel management company.

Enhanced service and security. Seventy-eight percent of travel managers say travelers waste time if they book through alternative channels. In addition, 77 percent state they cannot effectively track travelers in an emergency if the designated booking channel is not used. Interestingly, more than a third of travelers do not acknowledge the link between emergency tracking and booking through the travel management company (see Figure 51).

Figure 50: Travelers who book through the travel management company are less likely to use deluxe hotels

<table>
<thead>
<tr>
<th>% of hotel categories booked through different channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economy/budget</td>
</tr>
<tr>
<td>Standard</td>
</tr>
<tr>
<td>First</td>
</tr>
<tr>
<td>Deluxe</td>
</tr>
</tbody>
</table>

Preferred hotels in the program
Bookeed through preferred channels
Bookeed through alternative channels

Source: CWT Travel Management Institute
Based on CWT transactions and corporate credit cards for three European companies in 2006 (US$69.8M total spend)

Figure 51: Travel managers acknowledge that booking outside preferred booking channels has an adverse impact on service and security

Do you consider non-compliance with preferred channel policy as:

<table>
<thead>
<tr>
<th>Wasting time for travelers making their own bookings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel managers</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Preventing traveler tracking in case of an emergency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel managers</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Travelers</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travel managers
How does a corporate online booking tool further increase compliance?

In its study *Toward Excellence in Online Booking* (2006), CWT demonstrates how the use of an online booking tool can cut the average ticket price by up to 10 percent. Online booking *boosts overall compliance* with policy and in particular, compliance with rules on preferred airlines and restricted fares.

---

**Figure 52: Travelers who book through the corporate online booking tool use preferred airlines more often**

<table>
<thead>
<tr>
<th>Route</th>
<th>Average %</th>
<th>Offline booking</th>
<th>Online booking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris-Vienna</td>
<td>29%</td>
<td>23%</td>
<td>75%</td>
</tr>
<tr>
<td>Paris-Dubai</td>
<td>33%</td>
<td>28%</td>
<td>71%</td>
</tr>
<tr>
<td>Paris-Casablanca</td>
<td>33%</td>
<td>15%</td>
<td>46%</td>
</tr>
<tr>
<td>Paris-New York</td>
<td>23%</td>
<td>8%</td>
<td>33%</td>
</tr>
<tr>
<td>Paris-Singapore</td>
<td>23%</td>
<td>3%</td>
<td>33%</td>
</tr>
</tbody>
</table>

% of bookings with preferred airlines

*Source: CWT Travel Management Institute*

*Based on 1,908 transactions for a major company in 2006*
**Increased use of restricted fares.** An analysis of more than 320,000 transactions shows that travelers who use a corporate online booking tool tend to use restricted fares more often for international flights, for which the discounts are larger (see Figure 53).

Figure 53: Travelers who book through the corporate online booking tool use restricted fares more often

![Graph showing restricted fares as a % of all bookings for domestic and international flights across different countries.](source)

How much room is there for increasing the use of preferred booking channels?

In terms of **policy**, travel managers acknowledge the benefits of booking through the travel management company but could reinforce their approach. Already, 87 percent of companies mandate booking through the travel management company for air travel and 79 percent for hotels, as shown in Figure 54. In contrast, a significant 40 percent of companies that have an online booking tool do not even mention the channel in their policy. Of those that do, only 26 percent mandate the use of this channel for air travel and 2 percent for hotels. In most cases, the use of the online booking tool is simply recommended (see Figure 55).
Figure 54: Approximately 80% of companies require travelers to book through the travel management company for air travel and hotels

Instructions for using the travel management company

<table>
<thead>
<tr>
<th></th>
<th>Air</th>
<th>Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory</td>
<td>87%</td>
<td>79%</td>
</tr>
<tr>
<td>Mandatory except for certain trips</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Recommended</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>Not specified</td>
<td>4%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark

Figure 55: Few companies mandate the use of the corporate online booking tool

Instructions for using a corporate online booking tool

<table>
<thead>
<tr>
<th></th>
<th>Air</th>
<th>Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory for all flights</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Mandatory for simple flights</td>
<td>26%</td>
<td>2%</td>
</tr>
<tr>
<td>Recommended</td>
<td>33%</td>
<td>55%</td>
</tr>
<tr>
<td>Not specified</td>
<td>41%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark
In terms of compliance, companies have significant room for improvement. Travelers’ use of alternative booking channels varies widely among companies according to a unique study by CWT, which compared transactions made through the travel management agency and transactions recorded in credit card data. In the seven companies studied by CWT, travelers use alternative channels for 2-22 percent of air transactions and 23-66 percent of hotel transactions, as shown in Figure 56. Booking channel compliance can be low even when companies mandate the use of the travel management company, such as company E. Companies therefore have considerable scope to improve compliance and the related savings.

Figure 56: Travelers use alternative booking channels for 2-22% of air transactions and 23–66% of hotel transactions

According to the CWT survey of travelers, the most popular alternative to using the travel management company is to book directly with suppliers. Travelers who book outside the travel management company most often use airline Websites (52 percent of travelers booking through alternative channels) or call hotels directly (42 percent), as shown in Figures 57-58.
Figure 57: Airline Websites are the alternative booking channels used most often
Use of alternative flight booking channels

Source: CWT Travel Management Institute, based on a CWT survey of travelers (522 travelers)

Figure 58: Calling a property directly is the most common way to book hotels outside the travel management company
Use of alternative hotel booking channels

Source: CWT Travel Management Institute, based on a CWT survey of travelers (2,441 responses)
What are the main reasons for non-compliance with preferred booking channels?

The main reasons travelers cite for booking outside the travel management company vary for air and hotel transactions, but in both cases they are related to three major factors: price, booking convenience and product offering, as shown in Figures 59-60 and discussed below:

- **Price.** Travelers say price (ticket price or room rate and agency fees) is the main reason they book flights outside the travel management company. It is also the second reason cited for booking hotels through alternative channels. In both cases, traveler perceptions contrast with the reality of pricing benchmarks, as discussed above. Typically travelers are unaware of the discounts their companies receive such as back-end rebates which are not visible in air ticket prices. In addition, they often do not realize that an apparently identical ticket found on a Website may carry different restrictions. Similarly, a room rate booked directly does not take into account the cost of extra services that are often negotiated by companies (e.g., breakfast). This underlines the importance of effectively communicating and educating travelers on the financial benefits of complying with travel policy.

- **Product offering.** The belief that it is possible to find a product that better suits their needs is the main reason why travelers book hotels outside the travel management company and the second reason for booking flights through alternative channels according to the survey. Twenty-two percent of travelers who use alternative channels declare they can find more suitable flights this way while 20 percent say they can find more suitable hotels. This non-compliance may indicate a gap between traveler needs and the travel program or, in the case of hotels, may be influenced by a range of factors, including location and availability.

- **Booking convenience.** Travelers also cite booking convenience as a major reason to book flights and hotel rooms outside the travel management company. This raises the issue of whether the appropriate booking channels are available when required and whether they offer sufficient quality of service.

Personal preference (e.g., the ability to use frequent flyer programs) is hardly mentioned by surveyed travelers as a reason for using alternative booking channels. Another reason that is rarely discussed is the ability to use a preferred payment method (e.g., a traveler may book air travel through the travel management company using a corporate credit card but then book a hotel independently using an affinity card that offers loyalty points).

In addition to the CWT traveler survey, hotel transaction data suggests further reasons why travelers may book outside the travel management company, as shown on Page 60-61.
Figure 59: For air bookings, travelers say they use alternative channels mainly because they believe they can find cheaper fares

Reasons for using an alternative air booking channel

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of survey responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>41%</td>
</tr>
<tr>
<td>Lower fares</td>
<td>32%</td>
</tr>
<tr>
<td>No agency booking fee</td>
<td>9%</td>
</tr>
<tr>
<td>Booking convenience</td>
<td>26%</td>
</tr>
<tr>
<td>Faster and simpler booking</td>
<td>15%</td>
</tr>
<tr>
<td>Preferred channel unavailable</td>
<td>11%</td>
</tr>
<tr>
<td>Product offering</td>
<td>22%</td>
</tr>
<tr>
<td>To find more suitable flights</td>
<td>22%</td>
</tr>
<tr>
<td>Personal preference</td>
<td>2%</td>
</tr>
<tr>
<td>Loyalty to airlines outside program</td>
<td>1%</td>
</tr>
<tr>
<td>Freedom to select class</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>9%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travelers (522 responses)

Figure 60: For hotel bookings, travelers say they use alternative channels mainly to find a property that suits their needs

Reasons for using an alternative hotel booking channel

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of survey responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product offering</td>
<td>33%</td>
</tr>
<tr>
<td>Hotel suiting my needs</td>
<td>20%</td>
</tr>
<tr>
<td>Broader hotel choice</td>
<td>8%</td>
</tr>
<tr>
<td>Freedom to select hotel</td>
<td>5%</td>
</tr>
<tr>
<td>Price</td>
<td>26%</td>
</tr>
<tr>
<td>Lower rates</td>
<td>19%</td>
</tr>
<tr>
<td>No agency fee</td>
<td>7%</td>
</tr>
<tr>
<td>Booking convenience</td>
<td>26%</td>
</tr>
<tr>
<td>Faster and simpler booking</td>
<td>14%</td>
</tr>
<tr>
<td>Preferred channel unavailable</td>
<td>7%</td>
</tr>
<tr>
<td>Convenient hotel desk</td>
<td>5%</td>
</tr>
<tr>
<td>Personal preference</td>
<td>4%</td>
</tr>
<tr>
<td>Loyalty to hotels outside program</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>11%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travelers (2,441 responses)
A range of factors influence hotel bookings outside the travel management company

A case study of one major European company shows considerable variation in booking channel compliance for hotels in different cities (see Figure 61).

Figure 61: Travelers’ use of the travel management company for booking hotels varies considerably with local factors

Hotel bookings through alternative channels for the top eight destinations for a major European client

Source: CWT Travel Management Institute
Based on CWT client transactions in 2006 (US$4.2M spend)
This variation may be explained by a range of factors:

- **Location of hotels in the program.** A prerequisite for travelers using the travel management company as a booking channel is to ensure that the hotels in the program are close to travelers’ place of work. The company in the example includes numerous properties in Paris, London, Rome and Dubai in its travel program and its travelers use alternative booking channels less often in these cities.

- **Local market deals.** In some cities, such as New Delhi, hotels may offer lower prices to local people booking directly. Similarly, hotels may offer special deals to locals, such as VIP suites at no extra cost, which is the case in Abu Dhabi for the company studied. Such deals encourage international travelers to bypass their agency and ask local colleagues to make bookings on their behalf.

- **Traveler knowledge.** When traveling to unfamiliar, remote destinations, travelers often entrust hotel reservations to local colleagues.

- **Availability.** Travelers book through their travel management company more often for cities that have high occupancy rates to save time finding a room.

- **Other factors.** Additional factors may influence travelers’ decision to bypass the travel management company, regardless of the city. First, frequent travelers who are privileged customers of certain hotels tend to book directly, as they can often ensure room availability even in periods of high occupancy. Second, conference delegates often let meetings and events organizers manage bookings on their behalf. Third, suitable properties may not be visible at the time of booking due to errors in GDS rate loading, which can be reduced substantially by conducting regular rate audits.
3. Eight keys to success

CWT has observed a number of best practices for designing travel policies and boosting traveler compliance. These include: engaging management throughout the organization; providing travelers with clear, comprehensive guidelines; standardizing the policy regionally or globally; promoting compliance through communications and training; driving compliance through point-of-sale measures; tracking progress and taking corrective action; benchmarking industry performance; and leveraging travel management expertise.

1. Engage management throughout the organization

Best performers in policy and compliance all underline the importance of support from management—not only senior managers who endorse the policy, but team leaders who play a key role in promoting compliance. In particular, the following actions can have a major impact on how well the travel program is carried out:

- **Making senior management support visible.** Ninety percent of companies have their travel policy endorsed by their chief executive officer. But this is just a first step. Communicating on the policy through senior management is probably the single most effective way to raise awareness of travel rules, overcome resistance to any required changes and promote compliance with the policy. In concrete terms that means, for example, sending the policy with an email signed by a senior executive to remind employees of the objectives. An example is shown in Figure 62.

- **Escalating the approval process for exceptions to the rules.** Travelers are far less likely to book outside the policy when exceptions must be approved by a senior manager. To that end, 46 percent of companies require sign-off by the business unit manager or vice president.

- **Involving management in pre-trip approval when implemented.** Post-trip audits are increasingly favored over pre-trip approval, especially in North America. Apart from going against a corporate culture which empowers employees to "do the right thing," pre-trip approval tends to delay booking and ticketing (often leading to higher prices) and can be a costly administrative burden. Some companies remain convinced, however, of its effectiveness. They therefore need to ensure that managers who approve requests receive all the relevant information to query or refuse non-compliant bookings. This includes the missed savings associated with the requested booking, details on class/category/route as appropriate and available alternatives. Currently, only 24 percent of travel managers say the managers involved in pre-trip approval get all this information.
Engaging team leaders in post-trip follow-up. When travel managers send detailed reports to team leaders, the latter can identify individuals who are under-performing and benchmark their teams’ performance within the company. To this end, 46 percent of travel managers surveyed by CWT send reports on each non-compliant traveler to the relevant team manager. Sharing regular performance indicators with team leaders encourages them to take the necessary steps to reinforce compliance, bearing in mind that a reminder of policy rules is especially effective when it comes from an employee’s manager. In addition, maintaining an ongoing dialogue with managers throughout the organization can help travel managers better see areas of the program that could be improved to better meet travelers’ needs.

Figure 62: Example of effective communications by email

To introduce changes to its travel policy, Company Y, a global consumer brands company, sent the following email, signed by a board member, in English and the appropriate local language to employees worldwide. The email included a link to the full travel policy.

---

Travel policy changes

[NAME OF COMPANY] is becoming more and more international. And the number of business trips is therefore steadily increasing. In addition, the travel market is especially dynamic. Growing numbers of low-cost carriers are pushing prices down, whereas fuel and security surcharges are driving ticket prices up. The online booking tool on [THE COMPANY]'s intranet helps travelers to get to their destinations quickly and cost-efficiently.

In view of this situation, the management board has adopted four basic resolutions confirming our travel policy as set forth in the Corporate Standard for Business Travel. We are convinced that these measures will help to further optimize [THE COMPANY]'s travel budget.

1. Within Europe (or for flights of less than four hours):
   For the prescribed economy class, only restricted airfares will be offered and booked in the future. Amendments will only be possible against a fee. Non-refundable tickets must also be accepted.

2. "Point-to-point" flights (direct flights between source and destination without stopover):
   These can now only be booked using the intranet booking tool. [THE COMPANY] will be offering training courses again for the various sites over the next few weeks.

3. Wherever possible, flights must be booked at least two weeks in advance. [THE COMPANY] expects employees to schedule their trips accordingly.

4. Hotel reservations must be made exclusively at hotels with which [THE COMPANY]/CWT has a contract (these hotels can also be found and booked via the intranet booking tool).

The new rulings will be effective as of [DATE].

For information on the intranet booking tool, contact the Helpdesk at [EMAIL ADDRESS] or [PHONE NUMBER].

Link to travel policy (click here)

Sincerely yours,

[SIGNATURE]

[NAME OF BOARD MEMBER]
Unsurprisingly, when support from management is lacking, travel managers find it more difficult to improve policy and compliance. Surveyed travel managers who claim they do not have the necessary means to implement compliance measures cite a lack of management support as the main barrier (see Figure 63).

Figure 63: Travel managers say a lack of management support is the main barrier to implementing compliance measures

Do you have all the necessary means to improve travel policy compliance? If not, why?

- Lack of management support: 45%
- Insufficient information and reporting: 27%
- Sub-optimal online booking tool: 14%
- Other: 14%

Source: CWT Travel Management Institute, based on a CWT survey of travel managers (57 responses)
2. Provide travelers with clear, comprehensive guidelines

The most effective travel policies provide clear, comprehensive guidelines in a user-friendly format. This is in contrast to many documents observed in the market that are long, difficult to read and imprecise. Ideally, a travel policy sets mandates—rather than simply making requests or recommendations—where the corporate culture allows it. In addition, the policy should cover each of the five main areas that present significant savings opportunities:

- **Advance air booking.** Mandating booking at least two weeks in advance whenever possible makes a significant difference to the number of tickets booked early and the savings from lower ticket prices. Some companies specifically ask employees to plan their travel with this deadline in mind.

- **Restricted airfares.** Companies make the most of this savings opportunity when they mandate the use of available restricted airfares even if the traveler’s plans could change. When the cost of changes or cancelations is taken into account, savings from lower up-front fares are still significant. Companies that ask travelers to take the “lowest logical airfare” should clearly stipulate if that means a restricted fare when available.

- **Preferred suppliers.** The most effective policies mandate the use of preferred suppliers rather than taking the lowest fare or rate. Companies should include the procedure to follow if preferred suppliers are unavailable and/or guidelines on price caps.

- **Traveler comfort (air class/hotel category).** Companies generally make travel class/category rules mandatory, based mainly on the duration of a flight and the destination city (for hotels). In addition, best performers specify circumstances where higher classes or categories are authorized (e.g., when traveling with clients or more senior managers).

- **Preferred booking channels.** Mandating the use of the travel management company for bookings brings tangible benefits in terms of savings, service and security. When an online booking tool has been implemented, it is important to mandate its use for simple transactions (e.g., point-to-point flights) in order to reap the full benefits.

In addition to these five main drivers of savings, policies should provide clear, comprehensive guidelines on all areas of travel spend, processes and practical information. As an example, Figure 64 shows the travel policy framework recommended by CWT.
## 1. General matters
- Purpose and scope of travel policy
- Ownership and management endorsement
- Enforcement
  - Sanctions
  - Approval for exceptions
- Eligibility for travel
- Contacts

## 2. Making travel arrangements
- Use of corporate online booking tool
- Use of approved travel management company
- Approvals
  - Standard transactions
  - Exceptions

## 3. Travel rules
### Air
- Planning/scheduling
- Restricted fares
- Air class
- Electronic tickets
- Travelers traveling together
- Unused tickets
- Frequent traveler awards

### Rail
- Rail vs. air
- Travel class
- Personal discount cards

### Hotel
- Preferred hotels
- City price caps
- Staying in a private residence
- Cancelations

### Car
- Car rental
- Employee’s private car
- Taxis
- Parking charges

### Business expenses
- Meals
- Entertainment
- Telephone charges
- Non-reimbursed expenses

## 4. Travel expenses and reimbursement
- Corporate and personal credit cards
- Business expense reporting
- Monitoring

## 5. General advice to travelers
### Security
- Traveler tracking
- Destination information
- Personal security
- Data security & confidentiality
- Insurance information

### Pre-flight checks
- Entry regulations
- Check-in times
- Reconfirmation of flights
- Luggage regulations

### Emergency travel assistance
3. Standardize the policy regionally or globally

By aligning travel rules and processes across business units and regions, travel managers can share best practices and reduce costs—the savings are on average 12 percent of total travel spend, as described in the CWT publication *Global Horizons: Consolidating a Travel Program* (2007).

Companies acknowledge these benefits: 60 percent of travel policies analyzed by CWT are already global, including 15 percent which are tailored at a local level but remain at least as strict (see Figure 65). Local initiatives mainly involve booking processes and selecting preferred hotels. In contrast, preferred airline policy is almost always defined at a global level.

**Figure 65: Travel policies are mainly global**

Geographical scope

- **45%** One global travel policy across all company units
- **15%** One global travel policy + tailoring to local business unit needs
- **40%** Different travel policies in various business units or countries

Source: CWT Travel Management Institute
As highlighted in the research, one of the main reasons travelers book outside their company’s policy is to find lower prices. This underlines a lack of understanding of the travel program, as well as the intricacies of effective travel management and the value of compliance. In addition, only 55 percent of surveyed travelers said they had a good or very good knowledge of their company’s policy, while 70 percent of travelers who had made a non-compliant booking believed that the travel rules were not mandatory. Low usage of online booking tools can also indicate insufficient awareness or a need for training. Companies may wish to take the following measures:

- **Explain the stakes.** The best-performing companies explain to travelers the savings or other benefits (e.g., security) at stake with regard to different aspects of the travel policy. This provides an incentive for cost-conscious employees to comply and makes it harder for travelers to justify booking outside the policy. As an example, one European consumer goods company sent a chart to travelers by email, signed by a board member, showing the price impact of advance booking in their particular country and urging them to book earlier (see Figure 66).

- **Make the policy easily accessible.** As a practical working tool, the policy should be available online (typically on the corporate travel portal or intranet) to all users and in local languages. Companies that circulate global documents only in English can encounter lower rates of awareness and compliance among certain employees due to a weaker understanding of the language and the rules. It is important to ensure that any changes are communicated in a timely manner to travelers and that only the latest version of the policy is in circulation.

- **Provide training.** Best-performing companies ensure that all travelers and travel arrangers receive thorough training in the travel policy, booking processes and tools. For example, some companies organize monthly Web conferences to train new hires and follow up with additional sessions as the policy and/or employees’ roles evolve (e.g., when a manager becomes responsible for overseeing compliance for his or her team, he or she should understand how booking behavior can impact the company’s financial performance).

- **Report on progress and continue to communicate.** Progress reports can be a powerful way to raise the profile of a travel program and improve traveler compliance. In particular, they provide an opportunity to highlight savings, thank travelers for their efforts and encourage further improvement. These reports are particularly valuable when the information is adapted to local teams or specific divisions (see Figure 66). To communicate most effectively, travel managers can leverage expertise from other departments within the organization such as internal communications, human resources and finance/auditing.
One year after introducing changes to its travel policy (see Figure 62), Company Y, a global consumer brands company, sent an email to employees worldwide to thank them for their efforts and promote advance booking. The content of this email was adapted to each country. The following is the email sent out in Germany. It was written in English and in German.

Success confirms effectiveness of new travel guidelines

Dear [NAME OF COMPANY] Travelers,

I would like to thank you all for your support. Since the introduction of the new travel guidelines in August 2006, we have been able to save 4 million euros worldwide and 1.44 million euros in Germany alone. This corresponds to a 7.3 percent reduction in our travel expenditure. And if we continue to apply these guidelines consistently, we will be able to save even more.

Save money simply by booking early!
Did you know that by booking flight tickets early, it is possible to save up to 50 percent of the cost of the flight? Air fares are not fixed—the later the booking, the more expensive the flight will be. By booking 16 days early, it is possible to save up to 50 percent on flights within Europe. For domestic flights within Germany, the average saving is 39 percent. So please help us by booking your flights as early as possible. This is a very simple way to save a lot of money.

The successes shown here confirm that we are on the right course. We therefore ask you to continue applying the travel guidelines as consistently as before.

Link to travel guidelines (click here)

Sincerely yours,

[SIGNATURE]

[NAME OF BOARD MEMBER]

Average Ticket Price for [NAME OF COMPANY AND COUNTRY]

This information is meant for ALL employees.
So please pass it on to all those who have no [TYPE OF EMAIL SOFTWARE] access and do not get the information directly.
Compliance can be considerably improved by integrating the policy into the booking process, both on- and offline to channel travelers toward compliant options.

**Online booking.** The corporate online booking tool can be very effective in driving compliance in four main ways. First, the tool can clearly indicate (e.g., through a color code) which options are compliant or non-compliant to produce “visual guilt,” which makes the traveler more likely to comply. Second, if a traveler tries to book outside the policy, the tool can provide a reminder that the booking is non-compliant and, if applicable, that pre-trip approval is required and/or a non-compliance report will be filed. Third, the online booking tool can be configured to filter out non-compliant options from the screen. Finally, it can also proactively propose related services (e.g., a compliant hotel and car rental service to accompany an air booking) to encourage travelers to make bookings through the preferred channel.

**Offline booking.** Companies should clearly define the level of involvement expected from agents when travelers attempt to make non-compliant bookings. This may include informing the traveler that the transaction is non-compliant, sending a pre-trip approval request for exceptions, or refusing to make the booking and filing a non-compliance report. They may also redirect travelers to their company’s online booking tool or a traveler help desk if the traveler is unfamiliar with the tool and/or policy. Just as online booking tools are programmed to do, agents can recommend compliant options and also push related services to travelers making a booking.

5. **Drive compliance through point-of-sale measures**
Measure performance regularly. Key performance indicators are critical tools for the travel manager—insufficient information and reporting are recognized as a major handicap to effectively managing compliance, as seen earlier in Figure 63 (Page 64). At the top of the list of indicators, as shown in Figure 67, is the cost of non-compliance, which provides a strong argument for managers to justify the policy and benefits. In particular, comparing performance by business unit or division and sharing that information with team leaders can reinforce efforts to boost compliance (see Figure 68 for an example of a reporting dashboard).

**Figure 67: Travel managers consider the cost of non-compliance to be the most important performance indicator for driving compliance**

![Performance Indicators Table](image)

<table>
<thead>
<tr>
<th>Performance indicators</th>
<th>Not relevant</th>
<th>Nice to have</th>
<th>Important</th>
<th>Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of non-compliance</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Use of online booking tool when appropriate</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>List of individual non-compliant travelers</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Compliance with class/category constraints</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Compliance tracking per policy item</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Overall air compliance</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Overall compliance</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Compliance per business unit</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Compliance per route</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Overall hotel compliance</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Year-on-year compliance tracking</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Gap analysis of compliance vs. target level</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
<tr>
<td>Compliance per destination (hotel)</td>
<td>o</td>
<td>o</td>
<td>!</td>
<td>!</td>
</tr>
</tbody>
</table>

% of total responses: o 0-20%  ▲ 20-40%  ▼ 40-60%  ▼ 60-80%

Source: CWT Travel Management Institute, based on a CWT survey of travelers
Figure 68: Sample dashboard for reporting on compliance and savings

<table>
<thead>
<tr>
<th>Divisions (By number of transactions)</th>
<th>7-day advance purchase</th>
<th>Self booking adoption</th>
<th>Preferred hotel adoption</th>
<th>Average ticket price</th>
<th>Combined air-hotel booking</th>
<th>Missed Q2 savings vs. compliance goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division A</td>
<td>74%  ↓</td>
<td>35%  ↓</td>
<td>52%  ↓</td>
<td>US$602  ↓</td>
<td>75%  ↑</td>
<td>US$1,313,230</td>
</tr>
<tr>
<td>Division B</td>
<td>60%  ↓</td>
<td>20%  ↓</td>
<td>51%  ↑</td>
<td>US$663  ↓</td>
<td>81%  ↑</td>
<td>US$791,424</td>
</tr>
<tr>
<td>Division C</td>
<td>54%  ↓</td>
<td>18%  ↓</td>
<td>48%  ↓</td>
<td>US$879  ↓</td>
<td>46%  ↑</td>
<td>US$923,739</td>
</tr>
<tr>
<td>Division D</td>
<td>79%  ↑</td>
<td>39%  ↓</td>
<td>70%  ↓</td>
<td>US$995  ↓</td>
<td>57%  ↓</td>
<td>US$878,537</td>
</tr>
<tr>
<td>Division E</td>
<td>67%  ↓</td>
<td>28%  ↓</td>
<td>48%  ↑</td>
<td>US$693  ↓</td>
<td>70%  ↑</td>
<td>US$319,435</td>
</tr>
<tr>
<td>Division F</td>
<td>63%  ↓</td>
<td>23%  ↓</td>
<td>63%  ↑</td>
<td>US$588  ↓</td>
<td>76%  ↑</td>
<td>US$202,143</td>
</tr>
<tr>
<td>Division G</td>
<td>68%  ↑</td>
<td>38%  ↓</td>
<td>28%  ↓</td>
<td>US$610  ↓</td>
<td>68%  ↓</td>
<td>US$115,353</td>
</tr>
<tr>
<td>Division H</td>
<td>48%  ↓</td>
<td>35%  ↓</td>
<td>29%  ↓</td>
<td>US$587  ↓</td>
<td>80%  ↑</td>
<td>US$85,821</td>
</tr>
<tr>
<td>Division I</td>
<td>23%  ↓</td>
<td>43%  ↑</td>
<td>13%  ↓</td>
<td>US$540  ↓</td>
<td>92%  ↑</td>
<td>US$6,847</td>
</tr>
<tr>
<td>Total</td>
<td>67%  ↓</td>
<td>30%  ↓</td>
<td>53%  ↓</td>
<td>US$676  ↓</td>
<td>63%  ↓</td>
<td>US$4,636,530</td>
</tr>
</tbody>
</table>

Goal: 70% 60% 32% US$475 70%

- **Performance up on previous quarter**
- **Performance down on previous quarter**

Colors:
- Teal: At or above goal
- Black: Approaching goal
- Red: Below goal
Take targeted action to reinforce compliance. As seen earlier (Page 23), a small proportion of travelers tend to be responsible for the majority of non-compliant bookings. It can be worthwhile identifying those travelers, along with their reasons for non-compliance, and taking action. For example, the vice president of global travel at a global pharmaceutical company sends a personalized email to individuals who book outside the travel management company to remind them they are required to use this preferred booking channel and that non-compliance may result in non-reimbursement (see Figure 69). This has resulted in unusually high levels of compliance within a year—98 percent for air (compared to 80 percent compliance for air at some companies). Although more than a third of all companies have no disciplinary process for non-compliance (see Figure 70), the trend is toward stricter enforcement, as shown in Figure 71.

Figure 69: Sample email sent to travelers who have booked through non-preferred booking channels

Company A, a global pharmaceutical leader, sends a personalized email to travelers who book outside the travel management company unnecessarily. This includes a reminder of the company’s strict mandate that employees should use the TMC or online booking tool for all business travel arrangements at the risk of not being reimbursed for travel expenses.

Dear [NAME]:

In reviewing the April report for non-use of Carlson Wagonlit Travel (CWT) for corporate travel, I noticed a ticket that you purchased on March 18 in the amount of $914.80 from [NAME OF AIRLINE].

Please be reminded that all your air, hotel and car [COMPANY NAME] business travel requirements must be booked either via [ONLINE TOOL] or CWT on the telephone. Non-compliance may result in non-reimbursement.

[NAME]
Vice President
Global Meetings and Travel
Figure 70: 34% of companies have no disciplinary process to enforce their travel policy

Source: CWT Travel Management Institute, based on a CWT travel policy benchmark (83 policies)

Figure 71: Travel managers intend to reinforce compliance measures

<table>
<thead>
<tr>
<th>Compliance measure</th>
<th>% of companies for which measure is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Systematically identify and report non-compliant travelers and implement targeted action</td>
<td>Already in place: 55% Planned: 31%</td>
</tr>
<tr>
<td>Require TMC to systematically refuse non-compliant bookings</td>
<td>Already in place: 44% Planned: 21%</td>
</tr>
<tr>
<td>Reinforce actions against non-compliant travelers with heavier or more systematic sanctions</td>
<td>Already in place: 22% Planned: 28%</td>
</tr>
<tr>
<td>Identify and target action at overindulgent managers who systematically approve exceptions</td>
<td>Already in place: 20% Planned: 29%</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute, based on a CWT survey of travel managers (50 responses)
Adjust the travel program where necessary. Non-compliance reports can indicate areas of the travel program that need to be reviewed. For example, an unusually low rate of compliance with the use of preferred suppliers may suggest that current suppliers do not adequately match travelers’ needs. Key factors to consider for the air program include the frequency and convenience of preferred airlines’ schedules, connecting flights and airport locations. For hotels, travel managers should regularly review the range of cities covered, the convenience of hotel locations, and the range and quality of services offered to travelers.

Benchmarking industry performance in terms of policy design and traveler behavior can help ensure the company’s program remains competitive in its sector.

**Benchmark policy.** Travel policy should reflect a company’s culture and business priorities. To ensure that the policy remains in line with standards in their sector, however, companies can benchmark elements such as the minimum flight duration required for business class; whether or not connecting flights can be proposed as an alternative to non-stop long-haul routes; whether low-cost carriers are used; and which hotel categories are authorized.

**Benchmark traveler behavior.** Companies can identify savings opportunities or highlight above-average results by benchmarking their peers’ performance in key areas of the program. Comparative information is particularly useful when it is difficult to define strong performance. An industry average can often provide an indication. A good example is capacity-controlled negotiated fares (i.e., available on a quota basis). As travelers will no longer have access to these fares when the quota is met, companies can not aim for a 100 percent usage rate. For instance, when a company knows that the average rate of use among benchmarked companies is approximately 40 percent, its 36 percent rate will not appear to be particularly low.

Working closely with a travel management company facilitates travel policy design and implementation, as well as compliance. Travel management companies are also well positioned to help monitor and improve performance. Their specialized professionals and technology can play a key role every step of the way. In particular, the following areas are worth highlighting:

**Travel policy design.** Major travel management company professionals have a particularly clear view of effective travel policies. They continuously monitor evolving market and supplier trends, as well as industry best practices, and are capable of benchmarking the travel policies of multiple clients working in a variety of industries around the world. Travel management companies can easily spot gaps in coverage and effectiveness and advise clients on the items and wording that constitute a well-designed policy.
Implementation. The technology and professional expertise travel management companies provide play a critical role in the successful implementation of travel policies. Communicating the travel policy is the first step toward compliance. Many travel management companies offer multi-lingual, Web-based traveler portals that host important information, including the corporate travel policy. The corporate online booking tool is often integrated into these traveler portals and must be programmed to reflect the travel policy and guard against non-compliant bookings. Travel management companies can also regularly audit global distribution systems to ensure that clients’ negotiated airfares and hotel rates are accurately loaded.

At the point of sale, travel counselors can help drive compliance. By being perfectly familiar with their clients’ travel policy and informing travelers of company requirements, they can help to educate travelers and re-direct non-compliant requests. When authorized to do so, they can even refuse non-compliant bookings and require travelers to book within the policy.

Performance monitoring. Travel management companies provide the consolidated data and reporting that enable companies to track and improve their performance. By providing relevant and timely information that not only spans the globe but drills down to several different levels—from business units to individual travelers—travel management companies can identify missed savings and reasons for non-compliance. By reconciling credit card expense data with agency booking data, they can also flag bookings made through non-compliant channels.

Finally, travel management companies can analyze the data and recommend solutions and best practices that will improve policy design and compliance on an ongoing basis.
Case studies

Companies that implement measures to improve their travel policy and traveler compliance realize a fast return on investment. The following case studies illustrate the significant impact different best practices have had at major global companies.

Case Study 1 Improving advance air booking. Company H, a global pharmaceutical leader based in the United States, introduced a new process requiring travelers to obtain management approval for any trip booked fewer than 14 days in advance and to state their reasons for doing so. The process included daily auditing of late bookings by the corporate travel team, who communicated results to senior management. Subsequently, the proportion of advance air bookings increased significantly from quarter to quarter, with a 20 percent increase over 15 months (from second quarter 2005 to third quarter 2006), as shown in Figure 72. With expected savings of 2 percent for each additional day booked in advance, this initiative generated an estimated 6.6 percent savings on air travel spend in one year.

Figure 72: Company H has increased advance air bookings by 20% after implementing pre-trip approval

Source: CWT Travel Management Institute, based on transaction data for one CWT client (all routes, travelers and classes)
Case Study 2 Increasing compliance with preferred airline rules. Company X, a leading automotive manufacturer based in France, instructed travelers to use alternatives to Air France on selected long-haul routes. To enforce this policy, given that travelers generally favor their national airline, a strict monitoring and control process was introduced. First, travel agents encouraged travelers to take preferred airlines, sending a pre-trip approval request to the travelers’ departmental manager if he or she refused. After each booking with a non-preferred airline, the agent also completed a report with the name of the traveler and the person who approved his or her request, the preferred airline, the airline with which the booking was made and the difference in ticket price.

Based on this report, the travel manager could discuss non-compliance with each business unit director, as well as leniency on the part of departmental managers. The result was a dramatic increase in travelers’ use of preferred airlines from 47 percent to 73 percent, as shown in Figure 73. This initiative produced 17 percent savings on air spend across the relevant routes.

Figure 73: Company X saved 17% of spend on 3 key routes by increasing the use of preferred airlines

Source: CWT Travel Management Institute, based on transaction data for one European company
Case Study 3  Improving compliance with policy on preferred hotels. Company C, a world-leading pharmaceutical group, realized 13 percent savings on hotel spend over three years through actions to improve compliance with its policy on preferred hotels. Working closely with the travel management company, the group audited transactions per city quarterly and identified ways to improve the program’s fit with traveler needs to drive compliance.

For example, significant volume with a property outside the program suggested a potential new supplier to add to the program. Conversely, low or no volume with a preferred property indicated a need for corrective action, such as ensuring the hotel’s rates were correctly loaded into the GDS or removing the property from the program if its quality was insufficient for travelers. In addition, the travel management company was asked to analyze new hotels coming on to the market to identify additional new preferred suppliers. These initiatives to continually improve hotel policy were backed up by improved service at the point of sale through dedicated hotel agents.

The main result was an increase in the use of preferred hotels, representing 66 percent of hotel transactions in 2007 compared to 46 percent in 2005. This was helped by improved program coverage (preferred suppliers accounted for 75 percent of travel spend compared to 59 percent previously), together with a rise in the number of times travelers consulted the company’s catalogue of preferred hotels on its intranet site (30,000 consultations, compared to 24,000). These results are shown in Figure 74.

Figure 74: Company C has increased compliance with preferred hotel policy by 20%

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2007</th>
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<tr>
<td>Use of preferred hotels</td>
<td>46%</td>
<td>66%</td>
</tr>
<tr>
<td>Coverage of the hotel program</td>
<td>59%</td>
<td>75%</td>
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<tr>
<td>Accuracy of GDS fare loading</td>
<td>77%</td>
<td>94%</td>
</tr>
<tr>
<td>Web hotel catalogue - number of page views</td>
<td>24,000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

Source: CWT Travel Management Institute
Based on transaction data for one European company
This CWT Travel Management Institute research shows how companies can save on average 20 percent of total travel spend by improving their travel policy and traveler compliance.

It is hardly surprising that the majority of travel managers surveyed—approximately 70 percent according to CWT—review their policy annually. But as the study indicates, many companies can still boost their performance. In many sectors, policies have become stricter regarding class of travel. More commonly, however, companies are focusing less on tightening the rules—some are even relaxing them—than on clarifying policy and reinforcing measures that promote compliance.

Compliance is all the more important when companies aim to fulfill their duty of care to employees, helping to ensure their well-being and safety wherever they are. Managing demand for travel and eliminating unnecessary trips will take on growing importance as more attention is placed on employees’ work-life balance.

At the same time, companies are increasingly aware of their duty toward the environment and the need to reduce their carbon emissions. Although the vast majority have not yet included “green” measures in their travel policy, this looks set to happen.

In the future, travel managers will also integrate meetings and events into travel policy to exploit synergies with their transient travel program. While this remains a largely uncharted territory for many companies, the high potential return on investment provides an incentive for change.

Many of the best practices observed by CWT are measures that are within reach of all companies. To successfully implement them, travel managers need to work as a team with their travel management company, senior executives and managers throughout their organization—not just to define the right policy, but to ensure that travelers play by the rules.
For more information about how CWT experts can help your company successfully optimize its travel policy and compliance, please contact your CWT sales or account manager or email us at tmi@carlsonwagonlit.fr
## Appendix

List of companies mentioned in *Playing by the Rules: Optimizing Travel Policy and Compliance* (selected transaction analyses and case studies):

<table>
<thead>
<tr>
<th>Company</th>
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<tbody>
<tr>
<td>A........</td>
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</tr>
<tr>
<td>B........</td>
<td>Telecommunications</td>
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<tr>
<td>C........</td>
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<tr>
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<td>G........</td>
<td>Consumer goods</td>
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<tr>
<td>I........</td>
<td>Electronics and consumer goods</td>
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