

The Changing face of Corporate Travel Management

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Summary

The global economy is staging a gradual revival and there has been a steady increase in business travel across the world. Travel Management Companies are faced with a slew of different challenges other than just effective cost management and policy compliance. Travel trends and Technological trends together are influencing and redefining the travel landscape. Travel Management Companies need to take a stock of new technologies and processes like Online Travel, Ancillary Revenue and Mobile Technology. Innovation and the ability to imbibe new upcoming trends will help Travel Management Companies derive real value for their customers.

Travel Outlook

The world seems to be slowly but steadily recovering from the economic crisis. The business environment is looking up and there has been an increase in travel as well. According to IATA, premium traffic is on the rebound especially on transpacific and transatlantic flights. This strong post-recession rebound is being driven in large part by business travel, as business confidence and world trade rebound sharply.

Research conducted by *IHS Global Insight and the National Business Travel Association, sponsored by Egencia* found that the fastest growing business travel markets through 2013 were expected to be in Asia and smaller countries in Latin America, while those shrinking most include larger Latin American and West European countries.



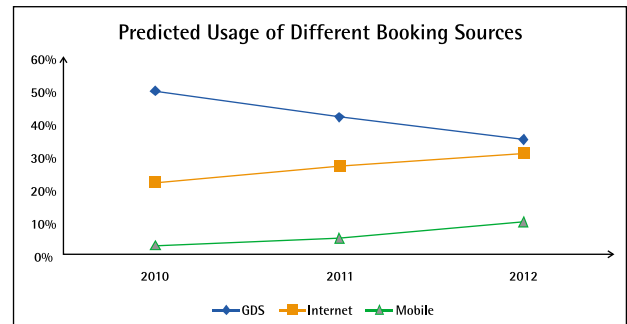
Emerging markets are recording better and faster growth than the advanced economies. Countries in Asia Pacific have recorded quick recoveries and are clocking excellent growth rates. The economic outlook in Europe remains a cause for concern. The serious debt issue in many European nations is hampering and slowing down recovery. North America has been buoyed by the increasing demand across transpacific routes. Travel in North America is picking up at a steady rate.

Challenges

The difficult economic scenario and the changing travel and technological landscape has brought with it different challenges for the Travel Management Companies (TMCs).

- Managing Costs and Expectations
 - Different types of restrictions on travel have been enforced by the companies due to the recession.
 - The increased focus on cost reduction and control will influence policies. Getting the best travel deals is of paramount importance - supplier management is an extremely critical aspect.

- Policies and Compliance
 - Trip approvals have become popular and will persist in the future.
 - Different metrics are being used to measure and benchmark the entire travel process.
 - Corporations are looking for greater transparency and better governance for their travel management process.
- Strategic Reporting
 - Advanced Business Intelligence and Data Warehousing.
- Risk Management
- The impact and influence of Ancillary Revenue
 - Airlines have started unbundling fares and have introduced Ancillary fees.
 - The application of Ancillary fees is confusing and increases purchasing costs.
 - Ancillary fees cannot be charged through most GDSs and hence is problematic to process.
- Changes in technology are also influencing and changing the travel process.
 - Online booking is becoming ever more popular and there has been a surge in the number of online booking tools and portals.
 - Dynamic Packaging is also increasing in popularity and providing the users with more options to customise their trips online.
 - Mobiles are an important channel of communication and most of the corporate travelers use smart phones.
 - The mobile channel can be used for making bookings and receiving information.
 - This channel will have to be in sync with the travel operations of any corporation and cannot be ignored as it is one of the fastest growing channels.
- Travel Management Companies will have to leverage Social Networking which has taken the world by storm. Travel Management Companies will have to understand how to use them to their best advantage
 - People interact and influence each other by sharing their views and preferences on different social networking sites.
 - Travelers also share their views and opinions.



Technology

Technology is really leading the way in every walk of life. Travel management is no different! Personalized services are setting the bar for Travel Management Companies. Customized services with technology at the forefront will shape the future of the travel industry. Technology will become more user-friendly and of value throughout the travel process, from the decision to travel to post trip expense reporting. At the booking stage, more travelers will use online tools as companies integrate them better into their travel program. The concepts of plug and play, one-stop-shop and mobile technology will bring about radical changes.

- Online booking tools are becoming popular and have to be integrated with the offline channel. Online booking tools bring about considerable savings.
 - According to an in depth research done by 'Carlson Wagonlit Travel', companies can reduce their travel costs by up to 15 percent when they implement online booking tools by leveraging a combination of reduced transaction fees and higher compliance with travel policy.
- Mobile applications will have to be synchronised with offline and online transactions to aid in the travel process.
- Check-in via mobile devices will be offered by airlines along with paperless boarding using mobile barcodes.
- Mobile messaging will become more commonplace to keep passengers informed of flight delays and cancellations, changes to departure gates, baggage reclaim issues and more.
- Traveler communication will become more important and was brought into focus by April's volcanic eruption.
- The online channel along with the mobile channel will be the new areas of major development. With increasing levels of customisation and personalisation it is important to take personal preferences into account

- Data Warehousing and Business Intelligence will develop further to aid in advanced analytics which will help improve decision making through detailed reporting, simulation, prediction, optimisation and other analytics.

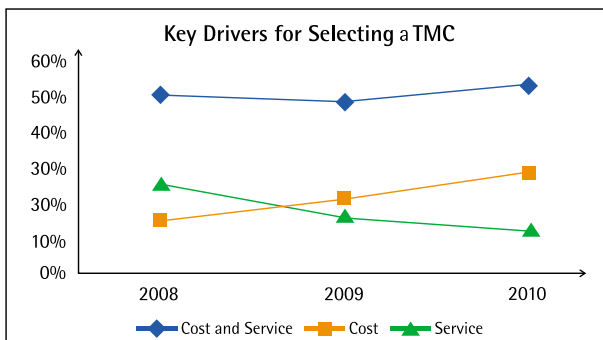
Business Impact

Corporate and large business customers still have a lot of bargaining power. Corporate deals will continue till the demand and supply gap equalises. Airline joint ventures, mergers and acquisitions could be a cause for concern. This would mean reduced competition and maybe increased air fares. Airline Alliances would become stronger and will push for single deals with corporate clients.

'Egencia' surveyed more than 100 travel managers on cost control measures, travel spend and expectations for 2010. The top cost-cutting measures travel managers are using include:

- Advanced booking of airline tickets (57 percent, up from 55 percent in fall 2008)
- Rigorous enforcement of travel policy (52 percent, up from 44 percent)
- Active tracking of unused tickets (45 percent, up from 44 percent)
- Requiring pre-trip approval (44 percent, up from 43 percent)

Travel managers will increasingly focus on policy, compliance and changing trends like Ancillary Revenue. There is a growing trend of large companies carrying out direct negotiations with travel suppliers, such as airlines, hotels, and Travel Management Companies. More recently, those with heavy travel volumes have even begun to negotiate directly with Global Distribution System (GDS) companies.



The Role of Travel Management Companies

In today's dynamic and changing environment, Travel Management Companies have to understand the impact of the different trends in travel management. Understanding the changing corporate mindset and keeping up with the changing demands is critical. Travel Management Companies need to showcase how they are adding value by focussing on providing premium services to the corporations.

- Improve supplier relations and provide better supplier management.
- Identify the changes in demand and pricing to incorporate these in the travel process.
- Keep track of policy changes and adhere to them.
- Implement policies regarding ancillary products for air travel.
- Provide consistent interfaces and messages through different mediums like mobile, internet, offline etc.
- Connect directly with suppliers to reduce costs for their customers.
- Integrate with other value added service providers like Message Services.
- Determine avenues for cost savings for their customers through increased usage of Business Intelligence.
- Track customer preferences and customer behavior to provide the right travel products.

Travel Management Companies can add value to different corporations by developing different strategies to tackle the changing travel landscape.

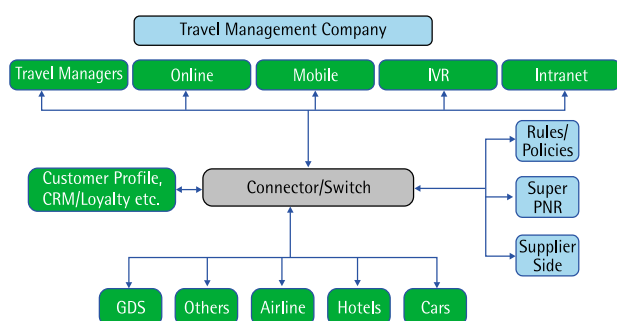
- TMC's need to integrate the online channel and offline channels along with the evolving mobile channel.
- Social Networking is too influential to be ignored.
 - 'BCD Travel' has signed a partnership deal with 'Triplt' where Travelers are able to use 'Triplt' to organise and share their travel plans with colleagues and family.

There are many disparate back-office systems and a lot of travel data with corporations which needs to be consolidated and meaningfully represented.

- Travel Management Companies will need to ensure data consolidation, consistency and standardisation.
- Strategic Reporting can be provided for expenses, compliance and travel spend.
 - Providing travel spend and expense comparison reports for different years.
- Creating trip models and comparing possible alternatives to come up with the best fit to ensure the lowest cost possible.

Risk and crisis management are important areas where the Travel Management Companies can provide services.

- Improving Compliance is an important factor to ensure the travel process goes smoothly.
- The volcanic ash crisis has highlighted the importance of crisis management and proper communication.
- Keeping travelers well informed about delays, changes in timetables and man-made or environmental crisis through different offline, online and the mobile mediums helps travelers plan in advance and increases satisfaction.



Travel Management Companies have to cater to different offline and online channels. They should be able to connect to different GDSs and also have the capability to connect to various individual travel suppliers. The Business Rules Engine should be robust and be able to dynamically package and price the products.

Travel Management Companies need to adapt and learn from the dynamic travel landscape and use technological advances to stay ahead of the game.

Our Experience

NIIT Technologies has been working with the market to understand the trends and challenges faced by Travel Management Companies. We work with different TMCs around the world and are helping them provide innovative and efficient solutions.

NIIT Technologies has significant expertise in providing IT solutions and services to various Travel Distribution Companies across the globe. We enable and support over a third of the travel industry transactions. Some of the world's largest Global Distribution Systems and Online Travel Companies are our customers. We work with Travel Management Companies on Point of Sale Applications and help them provide Advisory Services.

Our wealth of experience in the Travel Distribution domain has been acquired through projects in the following business functions:

- Travel Portals
- Back-office Systems
- Distribution
- Dynamic Packaging
- Customer Relationship Management

NIIT Technologies

NIIT Technologies is a global sourcing organisation, providing services to customers in Asia, North America, Europe and Australia. Our focus on select industry verticals - Travel, Transport & Logistics (TTL), Banking, Financial Services & Insurance and Retail & Distribution, has helped us create differentiation through specialisation. NIIT Technologies has gained extensive competence and experience in the TTL business by working with leading airlines, airports, travel distribution and logistics companies.

Our technology expertise and business understanding ensure efficient, scalable, secure and robust solutions that are tailored to the needs of our clients. NIIT Technologies was ranked # 1 in the Travel Sector by the Black Book of Outsourcing twice in a row, in 2008 and 2009.

About the Author

Kanishka Sharma is a Senior Business Associate in NIIT Technologies working with the Travel, Transport and Logistics Practice. He specialises in the Airlines and Travel Distribution sub verticals.