

TEXT: ANKE PEDERSEN

# Outside the travel box

The savings potential in direct travel costs has been pretty much exhausted. However, it is a totally different story when it comes to the indirect costs, the process costs. There are still countless hidden treasures waiting to be unearthed here. But: How can success be measured with respect to process optimisation? Travel management has only just begun to tackle this question.

**E**verything was better in the old days! Back then, the travel manager drove a hard bargain with his suppliers – with airlines, hotels and car rental companies – and at the end of the year had a figure that impressively corroborated the significance of his own position: such and such a percent in savings compared to the previous year.

That's all over now! In the meantime, direct costs in travel across all sectors have been consolidated and optimised to such an extent that there is hardly anything to be gained there any more. Strategists like Marcus Scholz, who was Senior Manager Corporate Mobility Management for 7.5 years at globally operating mechanical and plant engineering company Dürr AG, rate actually now rate savings in this area as nothing more than "quick wins" which will be marginalised sometime. Instead, everyone is now expecting huge savings potential from the optimisation and even automation of the indirect costs, i.e. the processes associated with all aspects of business travel.

## Cross-departmental thinking indispensable

But the question is: How can travel or alternatively mobility management demonstrate successes achieved in this area? After all, the question is not simply how the benefits of optimised processes can be measured for the entire company. The difficulty of this task is also exacerbated by the

increasingly strategic orientation of travel management: Whereas procurement was once considered the yardstick for travel management's performance record, its field of responsibility now also comprises areas that extend far beyond its own function – traveller safety and data, for example, or employee satisfaction. "All facets of travel management are interface topics within a company," says the head of CTC Corporate Travel Consulting, Jörg Martin. "It's like a stone that I throw into the water and which then creates ever-increasing circles."

For this reason, a travel management department will only be able to portray, measure and ultimately reduce indirect costs in collaboration with other corporate divisions. All travel experts agree on this. Philip Kramer, for example, says: "Because all processes that are upstream and downstream from a business trip concern other departments in a company too, cross-departmental thinking is absolutely indispensable," says the Head of Key Account Management Corporate at HRS. And for former Dürr employee Marcus Scholz, there is no getting round the fact "that travel management has to get all participants around a table and organise them strategically."

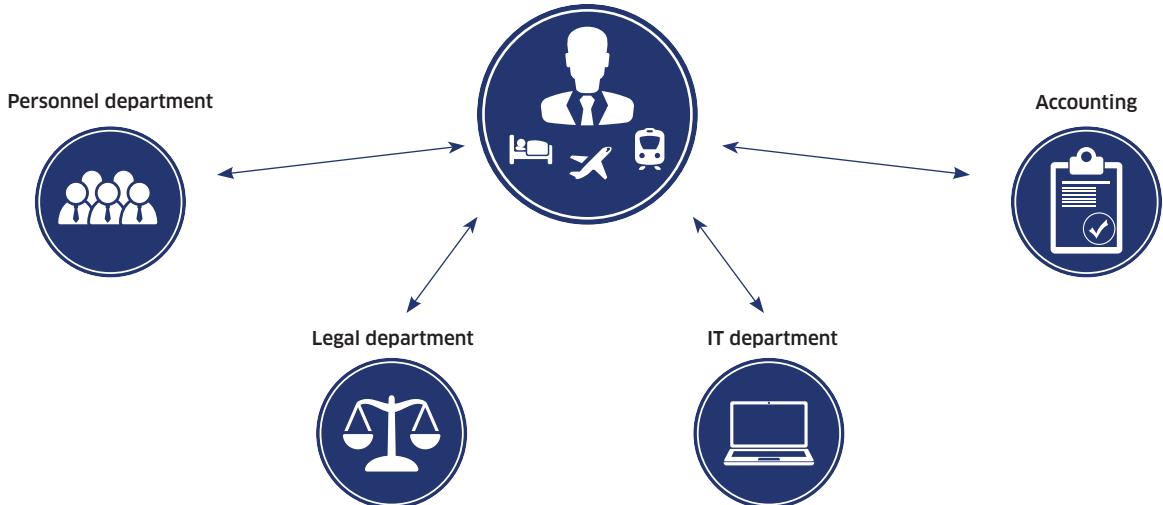
## The whole is more than the sum of its parts

For example, on the issue of payment. In the area of flight costs, centralised settlement has long been



## The travel management interface

To optimise processes, the various departments involved have to coordinate with each other.



**"To achieve joint success, all the departments have to coordinate with each other and embed their strategy into the big picture."**

Everything can be measured:  
Andreas Bieschke, head of  
consultancy company Fish4  
Corporate Services Network  
GmbH

the corporate standard. Against this backdrop, it would therefore be imminently sensible to have centralised accounting for hotel expenses too – for example with a payment solution like "Global Payment," which HRS offers corporate customers in collaboration with partners like AirPlus and American Express . The benefits for travel management: The detailed itemisation of all costs incurred during a hotel stay leads to more transparency. This in turn is a prerequisite for consolidating hotel data, checking adherence to travel guidelines and controlling this actively. However, because not only travel management profits from the introduction of a centralised payment solution, but other departments also, to at least the same extent, TM should include them in its strategy right from the start.

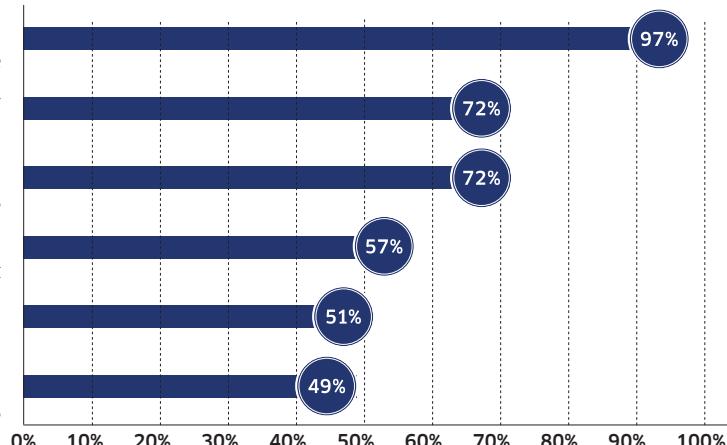
### One decision, numerous beneficiaries

First and foremost the accounts department: According to the VDR association's Business Travel Analysis 2014, around half of all indirect travel costs are incurred as a result of inefficient travel expense accounting. However, if booking, payment, invoice verification and reporting are automated, this structured accounting process would then save "at least 30 percent" of the process costs, estimates Marcus Scholz,



## A basis for measuring success in travel management

- Internal key figures, e.g. monthly or annual comparison of total business travel expenditure
- Use of service provider data which refer to the company (reporting)
- Adherence to travel guidelines
- Adherence to predefined business travel budget
- External key figures, e.g. benchmarks, studies, market data
- Qualitative factors, e.g. feedback from business travellers



SOURCE: VDR BUSINESS TRAVEL ANALYSIS 2014

- without public sector  
 - companies that measure the success of travel management  
 - companies with a separate division responsible for travel management

who has now moved to Europcar. "These are hidden treasures waiting to be unearthed, and no one sees them." At German health insurance company BARMER GEK, the verification time was actually reduced by 50 percent thanks to having detailed data in digital form. A further beneficiary is procurement, which can significantly improve its negotiating position with the hotel industry based on consolidated hotel data as well as the associated key figures and statistics.

Even the personnel department benefits, because it has satisfied travellers. For because all expenses are recorded in detail in their subsequent travel expense reports, they no longer have to find, sort and allocate individual invoices. If they additionally – as is still frequently the case in manufacturing companies in particular – do not have their own corporate credit card, they also no longer have to make advance payments or have the hassle of travel expense advances, since solutions like Global Payment pay all hotel costs via a virtual credit card. This the invoice goes directly to the company in question.

### KPIs for "soft factors"?

#### Absolutely!

After all, satisfied employees are an argument for the personnel department for recruiting young talent. And that is not all. Following the introduction of the payment solution in his company, business travellers no longer complained that they could have possibly got a service at a lower cost elsewhere, Benjamin Park, Director Procurement

& Travel at PAREXEL summarises; the number of "maverick buyers" has declined markedly.

At the latest at this point, every business economist will ask the question as to whether the aforementioned profits are only wishful thinking or whether they are also measurable. Whether the relevant KPIs (see explanation on the next page) exist with which the envisaged progress within the process chain can really be calculated and controlled.

For a Six Sigma expert (see explanation on the next page) like Andreas Bieschke, there is no question about this. Even employee satisfaction can be broken down into KPIs, says Bieschke, who is head of consultancy company Fish4 Corporate Services Network GmbH. "If a business traveller no longer has to collect invoices and prepare them, the time and effort he needs to complete his travel expense report will be reduced, so he will become more productive."

It is easy to develop a formula for this which, for example, calculates the time and effort per overnight stay or trip, says Bieschke. Likewise, the same applies to satisfaction with the virtual credit card, he says: KPIs exist in this area that measure the adherence to certain deadlines for submitting travel expense reports. Bieschke: "If the lion's share of reports has come in on time, this allows conclusions to be drawn about the manageability of the forms, for example."

A similar formula has been going through the mind of the process optimiser when it is a case of putting the following statement from HRS Manager



#### **Six Sigma (6 σ) ...**

... is a management system for process improvement, statistical quality objectives and at the same time a method of quality management. Its core element is the description, measurement, analysis, improvement and monitoring of business processes using statistical tools. To this end, the Define-Measure-Analyse-Improve-Control methodology (DMAIC methodology) is frequently used. The objectives are oriented towards financially important parameters of the company and towards customer requirements. (Source: Wikipedia)

#### **KPI**

The term "key performance indicator" (KPI) is used in business studies to describe key figures on the basis of which the progress or the degree of fulfilment with regard to significant objectives or critical success factors can be measured and/or determined within an organisation. (Source: Wikipedia)

Philip Kramer into figures: "Many of our Corporates record higher adoption rates following the introduction of the Global Payment solution because of an increase in customer satisfaction," the Head of Key Account Management reports.

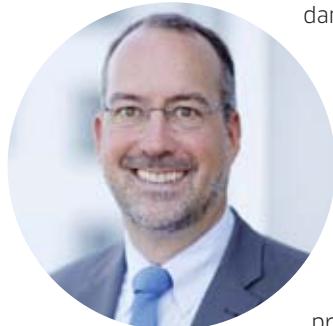
The quality of procurement can also be measured, according to Bieschke, based on booking and rebooking (change of booking) rates: "A low rebooking rate leads us to conclude that procurement negotiated well." However, since the adherence to travel guidelines is fundamentally the result of a chain reaction, he says, more significantly more complex formulas must be developed for this, he admits: Does the new company account alone prevent leakage? Or also the optimised OBE? Or even a salary increase?

#### **Surveys instead of KPIs?**

However, a large proportion of travel managers still appear to be struggling with this. Unlike in the figures-driven procurement, it is impossible

to measure so-called "soft factors," is the fundamental viewpoint here. "In most commodities, KPIs are impossible," Marcus Scholz, for example, believes. "There is a huge number of factors that simply cannot be controlled. They can be monitored – yes. But deduce KPIs from them, no. The relevant results are simply too vague. Because there can always only be one point in the big picture that I can use to deduce appropriate measures."

Travel management as interface: Jörg Martin, head of CTC Corporate Travel Consulting



For this reason, instead of relying on KPIs, the TM at Dürr AG banks on an annual employee survey. Travellers are asked travel-specific questions, and the Mobility Team then conducts a critical appraisal of the responses they give. It is a similar story at PAREXEL: "Twice a year, we measure employee satisfaction using a survey," Benjamin Park says. This enables them to ask specifically, for example before new airline negotiations, who books with other partners rather than the preferred ones, if applicable – and why, he says.

#### **Means of control at the operational process level**

In the end of the day, in the experience of travel advisor Jörg Martin, KPIs depend on a company's philosophy: "What is permitted to be rateable and what is not? Sometimes the guidelines are very figures-oriented, sometimes value-oriented. Then more emphasis is placed on satisfaction factors aimed at achieving the overall goal, and things are not broken down so minutely at all."

Of course, and internationally operating consultant Bieschke admits this too, it is fundamentally difficult to establish a 1:1 correlation between cause and effect. "Even just an employee's satisfaction always depends on a wide variety of things." Yet the KPIs mentioned are "good means of control at the operational process level," he says. However: not just for travel management. "To achieve joint success, the individual areas have to coordinate with each other and embed their strategy into the big picture," Bieschke, says. 

## Possible KPIs for all aspects of the hotel business

Selected key data	Data source
 <b>Online booking rate</b>	<p>Number of online bookings _____ divided by _____ Number of bookings</p> <ul style="list-style-type: none"> <li>Own travel management</li> <li>Travel management company</li> <li>OBE (online booking engine)</li> </ul>
 <b>Compliance with booking behaviour</b>	<p>Total of all non-travel-guideline-conformant nights <i>(using travel data)</i> _____ divided by _____ Total of all overnight stays in hotels <i>(booking channel irrelevant/cumulative)</i></p> <ul style="list-style-type: none"> <li>Own travel management</li> <li>Travel management company</li> <li>OBE (online booking engine)</li> </ul>
 <b>Compliance with payment behaviour</b>	<p>Travel costs paid using corporate payment function _____ divided by _____ Total travel costs for overnight stays</p> <ul style="list-style-type: none"> <li>Accounting</li> <li>Credit card data</li> <li>Travel management company</li> <li>Various payment providers</li> <li>Expense</li> </ul>
 <b>Change of booking rate, cancellation behaviour</b>	<p>Total number of changes of bookings _____ divided by _____ Total number of bookings</p> <ul style="list-style-type: none"> <li>Own travel management</li> <li>Travel management company</li> <li>OBE (online booking engine)</li> </ul>
 <b>Duration of travel expense accounting process</b>	<p>Average time between submission of travel costs (report) _____ and _____ Reimbursement of costs paid by traveller</p> <ul style="list-style-type: none"> <li>Accounting (in function of cost accounting dept)</li> <li>Human Resources</li> </ul>
 <b>Satisfaction analysis by survey</b>	<p>Average number of points for all respondents _____ divided by _____ Maximum number of points in the survey</p> <ul style="list-style-type: none"> <li>internal/external survey</li> <li>Human Resources</li> </ul>
 <b>Expenditure in contract environment</b>	<p>Costs for negotiated rates _____ divided by _____ Total costs for overnight stays</p> <ul style="list-style-type: none"> <li>Travel management (looking at contracts it negotiated)</li> <li>Credit card data</li> </ul>