Where now for managed travel?
"Rogue" spend, new booking technologies and the future of business travel programs

Executive summary

New technologies enabling travelers to book anywhere while their companies capture the booking data have become one of the hottest topics of business travel. Recently, the debate has shifted from asking whether the incumbent travel management model will soon be obsolete to how emerging technology solutions can bring new value to the travel program.

In-depth research by the CWT Travel Management Institute answers questions about managing "rogue" spend (bookings outside travel management company channels) and highlights the benefits and risks involved in adopting new solutions.

Definitions

◪ **Unmanaged travel** previously referred to any trips booked outside the preferred TMC channels, but new terms have appeared as companies ideally manage travel however it is booked and new solutions are available to help capture data on "rogue" travel spend.

◪ **Managed travel 2.0** is sometimes used interchangeably with open booking (see below), but strictly speaking means the latest generation of travel management solutions, including improvements to existing services. Today there is a stronger focus on how much flexibility to build into the travel program and how best to capture data on "rogue" spend.

◪ **Open booking** is an approach that allows employees to book corporate travel without many of the constraints of a typical managed program. A minimum of rules may apply, such as requiring travelers who book outside the TMC channels to respect a specific budget ceiling, consider safety and security standards, and share booking data with their company.

Roads to opportunity or dead ends?

New technology can add value, but some of the claims in favor of open booking appear misleading—especially that booking through alternative channels can be cheaper, more user-friendly and an effective way to tackle program leakage.
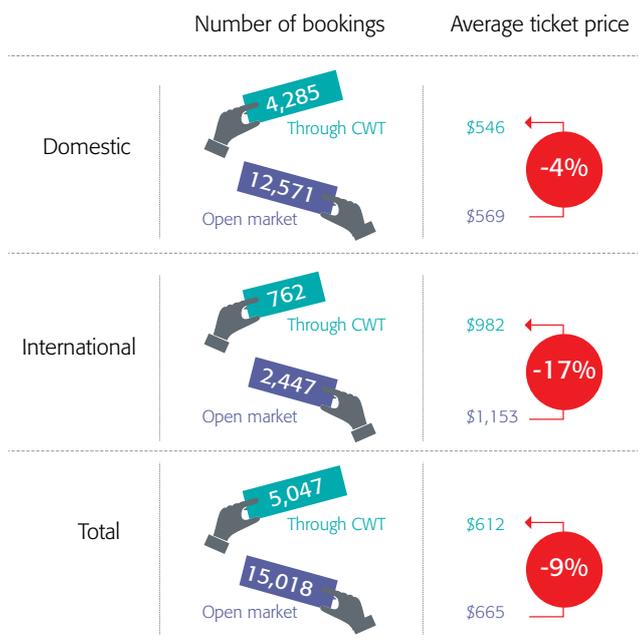
Are web fares cheaper?
No. Program fares continue to outperform web fares by a significant margin

Several studies provide evidence that travel is significantly cheaper when booked through a travel management company than through alternative channels:

◪ **Most airfares booked through the corporate travel program were less expensive—by an average of 24 percent**—in a pilot study run in October 2012 by Topaz International on behalf of Autodesk, a U.S.-based company.

◪ **Travelers spent 15-20 percent more when booking outside the TMC** in a six-month study by Sapient, a consulting company, in 2009.

◪ **Economy/coach airfares booked through CWT were on average 9 percent lower than those booked elsewhere** in an analysis of the top 25 routes booked through CWT by employees of a global company from February to October 2012 (see below).

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Figure 1: Economy/coach airfares on one company's top 25 TMC-booked routes were on average 9 percent cheaper than fares booked through other channels

	Number of bookings	Average ticket price
Domestic	4,285 — Through CWT / 12,571 — Open market	$546 / -4% / $569
International	762 — Through CWT / 2,447 — Open market	$982 / -17% / $1,153
Total	5,047 — Through CWT / 15,018 — Open market	$612 / -9% / $665

Do travelers really prefer a less controlled booking environment?

It would appear not. Traveler satisfaction with on- and offline corporate bookings is already high—and rising—and appears unrelated to the corporate culture of control.

- 88 percent of CWT travelers surveyed between April 2012 and March 2013 said they were *satisfied* or *very satisfied* with their most recent booking experience.

- Satisfaction scores have consistently improved, with the most recent up by 5 percent on the previous period (January 2010 to May 2011).

- Contrary to popular belief, the strength of companies' culture of control does not impact traveler satisfaction, according to CWT survey data.

- Overall, the vast majority of travelers *always* or *usually* use preferred booking channels, according to 91 percent of surveyed travelers and 95 percent of travel managers. CWT transaction data shows that compliance is much lower for hotel bookings, however, at around 50 percent.

- More than 60 percent of travelers say they would continue to use TMC channels *often* or *very often* even if they had the freedom to book elsewhere.

- Most travelers say they are not seeking a better booking experience when they book through alternative channels, but hoping to find cheaper prices or a wider choice of routes.

Does open booking offer travelers more flexibility?

Not overall. A wider choice of booking channels and suppliers comes at the cost of less flexibility for changes or cancellations, less efficiency and a lower level of service overall.

- Travelers can waste time shopping around without getting the best deals.

- Alternative booking solutions provide less flexibility for ticket changes and cancellations, and less support for travelers en route. The need for such flexibility should not be underestimated: according to CWT transaction data, 45 percent of reservations are changed in Europe before or after ticketing to add, modify or cancel travel segments.

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Does open booking reduce supply chain costs?
No. Booking outside TMC channels comes with a variety of hidden costs.

- Booking outside the preferred channels can compromise travelers' safety and security.

- Booking outside the TMC may impact companies' ability to meet volume targets, resulting in weaker negotiations.

- Companies may pay higher costs linked to ancillary fees and unused tickets.

Can new booking solutions reduce leakage and increase control?
This depends on the solution. New technology can capture data on bookings outside TMC channels but may increase leakage if it implicitly or explicitly authorizes out-of-policy behavior.

- Some alternative booking solutions may increase "rogue" behavior.

- Most companies have a fairly strong culture of control, with strict rules on preferred booking suppliers. Some 73 percent of surveyed travel managers say that their travelers are "*actively encouraged to use the preferred corporate booking channel or face consequences for violating the policy since exceptions are not authorized.*"

- Some, but not all, new technology solutions can boost compliance without undermining the managed travel program.

Which new avenues are open to which companies?

According to the CWT survey, 87 percent of travel managers have no plans to implement open booking (vs. 9 percent who do and 4 percent who have already conducted a pilot). Some 62 percent say they are against the idea, while 29 percent are neither for nor against. Overall they believe that open booking would be best suited to companies that set guidelines to limit spend and smaller or currently unmanaged programs.

Not all of the new solutions, however, require companies to shift their perspective on program compliance and authorize open booking. For companies to fully manage their programs, travel ideally benefits from supplier discounts, respects the corporate travel policy and is also trackable. New technology offers varying degrees of compatibility with these requirements, as shown in Figure 2.

Figure 2: New technology solutions support managed travel in different ways
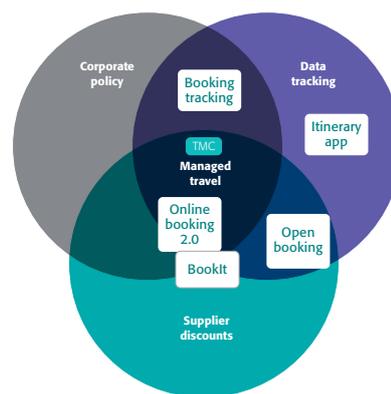
- **Online booking 2.0.** The latest OBTs offer features to enhance the user experience that are more in line with leisure sites. For example, KDS Neo offers door-to-door booking from any device, displaying the total time and cost of the selected trip, as well as alternatives (the cheapest, the fastest, the greenest and the recommended policy-compliant itinerary). Regional coverage varies, however, between suppliers. When companies combine this kind of OBT with an itinerary management app (see below), they can capture comprehensive data on travel spend from all kinds of booking channels.

- **Itinerary management apps.** Downloadable apps such as *CWT To Go* offer benefits to both travelers and travel managers within a managed travel environment. First, travelers' itinerary details are organized into trip folders on their devices, along with practical destination information and suggestions for hotels, car rental and other services. This system captures information from travel confirmation emails, which are forwarded manually by travelers or automatically by OBTs or travel counselors. At the same time, travel managers receive data on most of the bookings (under 5 percent of itinerary formats are currently incompatible).

- **Booking tracking technology.** KDS Maverick is a browser plug-in that detects travelers' attempts to book on unauthorized public websites and responds with a pop-up policy reminder. Travelers may then agree to be redirected to their corporate online booking tool or continue booking on unauthorized sites, in which case the "rogue" data is captured. This technology does not yet work on mobile devices, however, and such "spyware" may not suit the IT policy of every company.

- **"Shop anywhere, book through the TMC" app.** U.S.-based Short's Travel Management has developed BookIt, which lets travelers shop around on the web before booking through the TMC. Travelers forward details of their selected travel option to BookIt, which checks their corporate policy, applies any negotiated discounts and proposes better fares if available. Travelers then click to confirm their choices, while their companies receive the booking data. This service is currently limited to flights only.

- **An alternative booking platform.** Concur Open Booking enables travelers to book directly with participating suppliers while accessing negotiated corporate discounts and personal loyalty points. This new environment offers additional features such as itinerary management through the TripIt app, integrated data reporting and expense management. There is a risk, however, that travelers do not have access to a single service point for disruptions and may book more often out of policy.

Conclusion

CWT advises clients to consider new technologies in terms of how they can best complement their existing programs and help them to achieve their goals: providing the right services to enable employees to book efficiently, travel safely and spend intelligently. By implementing an itinerary management app, companies can continue to promote program compliance while capturing data on bookings made outside the authorized channels. They can also add other options, such as a latest-generation OBT. No alternative system matches the performance of "classic" managed travel programs, which are still highly relevant given the challenges facing travel managers today.

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