Globalizing Travel Management

As more companies embrace a global strategy for their travel programs, three organizational models have emerged—which one will maximize results for your company?

In an increasingly globalized economy, corporations of all sizes are establishing cross-border operations. Goals of these efforts are wide ranging, from hiring more cost-effective labor to taking advantage of expanding business opportunities in emerging markets to looking for efficiencies through consolidating a global supply chain.

Travel management companies (TMCs) across the board have reported a spike in RFPs for global program contracts since 2009. Cost-containment initiatives spurred by the economic recession in 2008 were a critical factor in pushing travel management toward globalization strategies. Increased influence of procurement practices that favor consolidated suppliers were another, coupled with the tightening of resources available to manage travel overall.

While corporate cost-reduction directives may have begun the trend, companies continue to globalize their travel programs for reasons that reach beyond this initial goal. Today, traveler safety and security goals have proven equally or even more important to many companies when mapping a global travel management strategy, and corporations report additional benefits, including better compliance, streamlined service and administration and more.

The key to maximizing all of these benefits, however, is to create a global travel program that is right for the individual company. There are three major travel globalization models available, each with individual benefits and drawbacks that need to be considered in the context of a company’s globalization priorities and overall travel management resource levels.

In this paper, sponsored by RADIUS, travel and procurement managers will learn about the three major travel program globalization models to assess which strategy best fits their corporate goals.

**Globalization Goals**

When travel program globalization went mainstream about five years ago, the catalyst for many efforts was the potential cost savings. Since that time, however, priorities have evolved.

According to a recent survey fielded by the BTN Group and RADIUS in March 2012, travel managers on the whole now prioritize traveler safety and security over savings when designing global programs. In addition, access to quality data—the information that drives the success of globalization year over year—has become equally important as the cost savings that are derived from rationalizing the supplier base and TMC relationships within a global program.

Suppliers have downgraded the importance of the immediate cost savings as well, finding that their clients are focused on longer-term data considerations and traveler safety. Additional benefits rated in the survey included the ability to standardize travel policy and service levels for travelers and streamline the administration of the program overall (see chart, next page).

**Common Challenges**

Globalizing a travel program does not come without obstacles. In addition to breaking down barriers and getting market-level buy-in from corporate executives and regional travel managers, there are several cultural and logistical challenges that a travel globalization effort must address.

FROM THE SPONSOR

Managing a travel program on a regional or global basis can provide benefits like cost savings, increased program compliance and improved traveler safety. RADIUS partnered with the BTN Group to bring you this white paper because we are experts in helping companies tackle the challenges that come with consolidating a travel program. RADIUS designs regional and global programs and delivers them through our network of market-leading agencies in 80 countries. All of us at RADIUS hope that you find this white paper informative as you consider which globalization model is right for your company, and we invite you to learn more about the products and services that RADIUS provides at www.radiustravel.com.

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CULTURE – Understanding the various cultures (both corporate and regional) where a global travel program is to be implemented is critical to overall success. The travel globalization champion will need this knowledge not only when persuading executives to support the globalization effort, but also when designing program policy and processes to support in-market traveler needs. The corporation will want to look to a travel management partner that is well-versed in the service culture of the region to ensure travelers transition easily to new processes and understand the benefits in a way that resonates with them.

TECHNOLOGY READINESS – For a smooth transition to a global program, one of the common prerequisites cited by travel managers is fairly advanced adoption of online booking. The ability to rely on travelers to access travel content through a booking tool and execute that booking with as little assistance as possible is an advantage. There are certain markets in almost every global program, however, that either do not have this type of technology or have not been able to drive travelers to adopt it. There are pockets of Europe where these technologies are not regularly used, and certainly throughout the Asia/Pacific region and several emerging markets, online self-service technologies are not the norm. The global travel manager must assess, with the help of a travel management partner that is able to evolve the program over time, as challenges arise and new needs or markets are identified for management.

CONTENT ACCESS – Access to travel content has recently become more fragmented—even for domestic travel programs. When taking on a global program, travel managers must be prepared to get creative in how they access and present content in each of their markets. The major global distribution systems will often not have access to rail and local low-cost airlines, and they continue to be challenged by hotel distribution. The ability to aggregate local content and present it to travelers via phone-assisted service or incorporated into a central online booking tool is critical—not only to access the lowest possible rates but also to build credibility for the program in local markets.

COMPLIANCE – All of these factors contribute to a company’s ability to drive compliance to the program. For many travel managers implementing a program for the first time, regional buy-in may appear to be solid in the initial stages, but as unforeseen challenges with culture, technology and content come into play, they can undermine the program and erode support.

FINDING BALANCE – Globalization champions should take heart: It is rare that companies balance these factors perfectly from the outset of a travel globalization effort. Initial successes will be apparent and maturity will evolve over time. Very importantly, the company should have a travel management partner that is able to evolve the program over time, as challenges arise and new needs or markets are identified for management.

Three Globalization Models – A Comparative Review
There are three major globalization models that companies should consider when consolidating a travel program. Each of them calls for rationalizing the travel supplier base and consolidating global data. They consolidate to different degrees, however, and rely on travelers to conform to varying levels of service standardization. When analyzing each model against corporate needs, a travel manager must balance the following:

• Priority of travel globalization goals as defined by the corporation
• How well the model will serve the regions or individual markets that require management

MODEL 1: One Solution
Perhaps the ideal model to achieve procurement objectives, the “One Solution” approach to managing global travel drives the program to contract with a single travel management company, a single GDS, and a single online booking tool.
Companies that push this type of program generally contract with a mega-TMC that offers wholly or partially owned regional agencies.

One Solution programs are commonly serviced through regional call centers that may be configured to serve specific regions during business hours. Alternatively, the program may apply a “follow the sun” strategy, wherein calls from all regions are serviced 24 hours a day through call centers based around the world.

**Benefits & Challenges** – Companies that implement a One Solution program are often looking to maximize savings and streamline program administration as much as possible. Large TMCs are attracted to this type of business and will offer competitive bids to get it. Especially for large market companies, TMCs are willing to customize service and data offerings significantly. For smaller pieces of business, the TMC may have a more “off the shelf” offering for a globalization effort.

Companies are likely to see strong initial results from consolidating the program and leveraging volume spend—not only with TMCs but with air, hotel, car rental and rail partners, as well. There can be some significant challenges over the long term if the One Solution approach is not implemented carefully. Even with a One Solution approach, corporations must be very sensitive to cultural needs and understand that not every market can be serviced in exactly the same way.

For some companies, the One Solution model may limit regions that can be reasonably managed, given the drive toward one GDS and one booking tool. Most companies that drive their programs toward this approach recognize that it is a process, and make GDS, booking tool, or service configuration exceptions where critical. As the most consolidated globalization strategy, however, the potential savings could be greater, especially from an administrative perspective.

**MODEL 2: Best-In-Region TMCs**

Taking into account the vast cultural differences required to manage and service certain business markets, many companies concede that a less consolidated approach is a better long-term fit for their global travel programs.

For some, this means implementing a regional strategy for their travel programs, working with multiple TMCs to service a limited number of regions as defined internally by the company. Often, these will include a breakdown by North America, South America, Europe, Australia and Asia/Pacific, but some companies might further divide Europe or Asia into sub-regions that require unique management companies.

**Benefits & Challenges** – While more cumbersome to administer—and often requiring a full-time internal travel manager in multiple regions—companies looking to drive top-notch compliance in each region and build strong credibility in the program may look to this model.

Practitioners using a Best-in-Region strategy cite the ability to create competition among TMC partners and drive service excellence—not only in serving travelers originating in the respective regions but also providing customized data reporting and surpassing defined performance goals to prove their value among other TMC partners in the program. For companies with smaller travel volumes, however, dividing the volume among multiple TMC partners may not be an effective strategy.

Data consolidation is a critical consideration for this model, as it could not be construed as a global model without a centralized source for comprehensive program reporting. One possibility is to appoint a lead TMC—logically, the partner with the best data reporting services—to collect data from other partners, clean, normalize, and deliver it in a comprehensive reporting package. The other strategy is to use a third-party data consolidator to perform this function.

Either strategy will work; it is key, however, that every TMC in the program submits a standardized level of data that the corporation must identify and monitor. Vocal advocates for this strategy recommend using a specialized data consolidator to get the cleanest, most detailed data possible. While this represents an additional expense for the program, supporters say the deep data ultimately pays dividends in supplier negotiations.
MODELS:

LEAD TMC WITH NETWORKED PARTNERS

A third option for globalization offers a middle ground between the One Solution strategy and the Best-in-Region approach. Contracting with a network of TMC partners that operates through a lead TMC gives similar procurement advantages to a One Solution approach in that corporations are able to streamline administration and manage to a single contract. By taking advantage of in-market partners, however, the corporation is likely to have more flexibility to tailor the program to local needs, with the optimal GDS and booking tools for the region as well as intuitive local services for travelers.

Benefits & Challenges – If choosing this route, corporations must perform due diligence on the partner network—particularly for the regions or countries that will be served right away, but also across the network in order to plan for markets that may enter the program in the future. They must ensure that partner agencies are equipped to collect proper data and that they have the ability to deliver it in a timely fashion. The lead TMC should be vetted for the quality of the data package provided, from real-time traveler safety and security analytics to program dashboards and granular country-by-country data.

Corporations that opt for this model often do so because local TMCs in the network can be especially attuned to the distinct cultures and operations of each market, plus the needs of the company’s offices in those markets. At the same time, the lead TMC that is truly partnered with a network via technology, service, and data standards offers additional advantages. For one, corporations can ensure that, should performance issues occur, a single point of contact will be responsible for managing the account and rectifying the situation. As the level of trust and performance becomes more established, a networked TMC may also provide a more seamless path for incorporating additional markets as they become candidates for management.

ENSURING PERFORMANCE

No matter what globalization model is used, ensuring partner performance is critical. The corporation must understand the markets to be served and define needs in each market in granular detail. The more information that can be shared with a potential TMC partner, the better prepared the partner will be to deliver on those needs.

Corporations must also define expectations. Implementing service-level agreements and defining savings targets for the globalization effort overall keeps TMC partners engaged with the program and accountable for results. Targets should be realistic, however, and timelines for achievement should be well-defined and communicated.

Many companies also tie incentives to partner performance and savings targets to ensure TMCs have positive motivation to meet and exceed program goals. Still, not every goal is likely to be met entirely in the first phase of globalization, and needs evolve over time. Building an ongoing relationship with the right partners who provide progressive services and capabilities is critical—not only from an administrative perspective but also to drive global compliance, data capture and reporting, and ultimately the year-over-year savings that will underscore the success of the globalization effort.