OPEN BOOKING:
IS IT RIGHT FOR YOUR TRAVEL PROGRAM?

OPEN BOOKING: It's a buzz phrase that has captured the imagination of the managed travel industry. Once synonymous with "unmanaged" new travel technologies are putting open booking strategies into play—if not as a comprehensive solution for managed travel, at least as a supplemental solution with aggressive ambitions for a larger future.

Most travel managers—as well as the industry as a whole—are taking a wait-and-see position on the issue, with many buyers and suppliers on the fence about the potential of such a solution. Direct bookings not only bring with them serious questions about judicious use of travel funds, quality of data and effective application of traveler safety and security initiatives, they also portend larger down-stream effects on an industry basis. Some segments of the industry have held open booking up as the model for the future of managed travel, while others have derided it as a flash in the pan.

This BTN Group white paper, sponsored by TRX, will explore some of the primary motivations for considering an open booking strategy for a managed travel program, as well as the challenges that may emerge—both from a program perspective and from an industry perspective.

WHAT IS OPEN BOOKING?

Open booking is a travel management strategy that would allow business travelers to shop and book through whatever channel they prefer—whether direct via the website of a specific hotel, airline or car rental provider or via an unmanaged travel content site—and transfer that data back into the managed program in some fashion.

Robust data consolidators have provided an open-booking safety net for their clients for many years, with technologies that draw data from multiple sources and then feed that data to TMCs, safety and security firms, or other travel management partners. As new technologies emerge, the exact configuration of the data transfer is highly

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dependent upon the chosen tool.

Current tools in the market use everything from email data parsing technology to opt-in syncing of traveler records with a participating vendor site to receive corporate discounts when bookings are made directly with the vendor. There are certain tool providers that are not disclosing the exact methods by which they are enabling data transfer.

Whatever the means, intermediate technologies have proliferated in the past several months to enable the beginnings of an open booking revolution for managed travel. Technology providers in

the U.S. and Europe maintain they have been motivated by demand from the travel management community. Still, large-scale deployment of open booking solutions is far from mainstream.
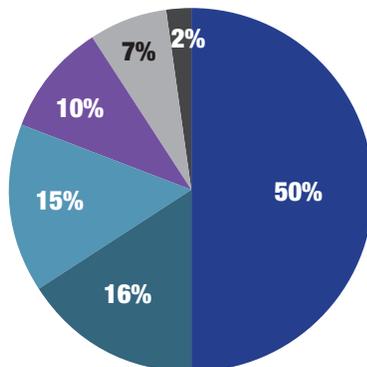
A recent survey of 287 travel buyers who registered for a December 2012 BTN Group webinar exploring the nuances and challenges of open booking revealed that only 12 percent of travel buyers advocated open booking strategies, while 38 percent of surveyed buyers were opposed to it, citing loss of control of the data needed to effectively manage their programs, traveler safety and their supplier relationships. A full 50 percent of buyers surveyed said they could see both pros and cons of open booking strategies or simply did not have enough information about open booking to have an opinion about it.

Despite this, 23 percent of surveyed buyers said they had already experimented with open booking, were launching a pilot program in the next 12 months or would consider doing so.
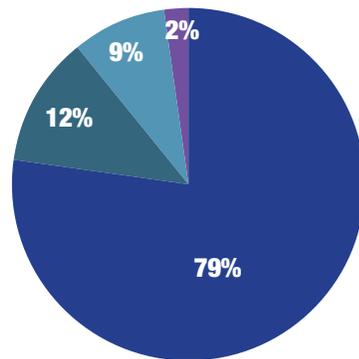
WHAT'S THE APPEAL?
Motivations for experimenting with open booking have proved diverse. They range from fairly straightforward desire to offer corporate travelers a simpler, more enjoyable business travel booking experience to larger-scale ambitions that would disintermediate the traditional corporate travel distribution chain and potentially drive savings to the corporate bottom line by removing GDS distribution fees and reducing the various fees incurred with a TMC partner. Between those two extremes are a handful of other motivators that include the ability to finally address the always frustrating issue of travelers "finding it cheaper on the Web."

SATISFYING A TECHIE GENERATION
Anecdotal reports indicate that many companies considering an open booking strategy are looking to a near-term future when Generation Y will be the dominant influencer in the workplace—and some companies are already there. Corporate names like Google and Salesforce.com are leading this movement for the managed travel industry and they are deploying open booking to travel populations that are incredibly tech savvy and impatient with tools that do not offer the person-

OPEN BOOKING: SUPPORT & DISSENT
Which of the following statements best describes your attitude toward open booking for corporate travel?

- Against it for lack of visibility into spend outside of managed channels
- Against it for supplier management reasons
- Against it for traveler safety reasons
- Support it for cost savings, and believe there are work-arounds for safety, suppliers, and data
- Support it for cost savings, and that is the primary concern
- See both pros and cons OR don't know what their position is

50%
16%
15%
10%
7%
2%

Source: BTN Group/TRX webinar registration survey of 287 travel buyers, November 2012

ARE COMPANIES TRYING IT?
Has your company experimented with or piloted open booking?

- No plans to pilot open booking
- Have already piloted open booking
- Are planning to do a pilot in the next 12 months
- Are considering how to make a pilot work

79%
12%
9%
2%

Source: BTN Group/TRX webinar registration survey of 287 travel buyers, November 2012

alized features and flexibility that they demand.

Advocates of open booking are following the trend, with the realization that the demands of Gen Y are not going by the wayside, but rather will become mainstream. FINRA travel manager, Carol McDowell, who is conducting an open booking pilot for her organization said that she was originally motivated by the proliferation of mobile technologies and travel apps to take a look at what her company was really able to provide to its travelers.

"I started thinking about our employee base and demographics and we have a lot of Gen X and Gen Y employees," she said. "It made me think if they would be more satisfied and happy to live their business life in the same manner that they live their lives day to day."

While they will never balk at a self-service model the way Boomers did when they had to adapt to an online booking environment, Gen Y will demand the ability to use the tools and booking channels to which they are already loyal—that means consumer tools, and open booking advocates are trying to get ahead of the curve.

Not all advocates have the natural advantages of open booking leaders, however. Both Google and Salesforce.com have deployed internal technologies to support data and traveler safety initiatives. In a very real way, these two companies are re-imagining the roles of the TMC and other service providers to fit into customized travel management paradigms. As more tech savvy corporations perform the due diligence and build customized systems, however, alternative models will emerge. At that point travel technology companies may use these models to create turnkey, automated, off-the-shelf solutions that will be more viable in managed travel marketplace without supplemental technology and customized integrations.

POTENTIAL COST SAVINGS

Beyond the potential to assimilate corporate technology into a Gen Y world, travel managers are also looking to open booking as a cost savings opportunity. In this matter, specifically, it behooves corporations to proceed with care, but there could be potential.

Leveraging Webfares – The common claim from business travelers that they can "find it cheaper on the Web" is a challenge faced by nearly every corporate travel manager. Despite the work that goes into negotiating rates with suppliers and managing preferred programs, there's no arguing that online spot buys are often cheaper than a negotiated rate. Pioneers in open booking have had some success in leveraging this reality and encouraging their travelers to "do better than policy" when it comes to price by setting up total trip cost matrices for travel between set city pairs and allowing travelers to "bank" whatever savings they are able to achieve.

> "[I thought my travelers] would be more satisfied and happy to live their business life in the same manner that they live their lives day to day."
>
> —*Carol McDowell, Travel Manager, FINRA*

FINRA, which primarily conducts domestic travel, opted to control outsized spending by capping hotel and meal rates in its top markets and may not reimburse spending in those categories beyond the caps.

Travel managers should to take into account, however, that their preferred programs often do more than deliver a discounted rate. For many companies, preferred programs include value-added benefits, such as internet access, free breakfast, access to a fitness center or free parking in a hotel contract, or with car rental the agreement may include insurance coverage and/or a GPS system or other benefits. When travelers book inexpensive rates direct with suppliers online, these benefits are not likely to be included, and may be accessed with a la carte charges. They add up quickly.

When it comes to airfares, travel managers would do well to take a very close look at their mix of international vs. domestic spend and consider the impact of open booking, particularly on the international fares, where negotiated discounts are

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much deeper—and often cannot be matched even by discounted webfares.

Michelle De Costa, global travel manager for Sapient, a Boston-based consulting firm with 40 percent international air volume, piloted an open booking environment in 2009. She put no restrictions around the booking process and no specific spending targets. After six months of collecting data via expense reports, she found that despite their best intentions to "spend Sapient money as if

BUILDING MOMENTUM
Size of travel program among 21 percent of surveyed companies piloting open booking.

- $50 or more
- Less than $1M
- $1M to $2.9M
- $3M to $9.9M
- $10M to $49M

28%
22%
20%
18%
12%

Source: BTN Group/TRX webinar registration survey of 287 travel buyers, November 2012

it was their own," business travelers who booked outside the agency/sanctioned online booking tool spent 15 percent to 20 percent more per trip than those who stayed in the program when booking travel.

"We looked at the expense reports and we had to make some assumptions about the data because it was not possible to collect it all from those who booked outside the agency, but the result was the same across nearly every division," she said. "I had a lot of people asking me for my data because they couldn't believe it, or thought I must be fudging the numbers, but the results were pretty compelling."

New technologies and supplier partnerships are emerging that purport to synchronize direct bookings with corporate travel discounts. Currently, these partnerships include a handful of international brands and have not addressed the issue of

airline bookings, though future developments may move in that direction. Before taking advantage of emerging opportunities, travel managers must again look closely at their supplier mix and travel patterns to understand how these new developments can work for their travelers and, very importantly, how they work for their corporations.

Reduced Distribution & TMC Fees – Another area of potential cost savings in an open booking paradigm is fairly controversial, but is often invoked by open booking advocates who are frustrated with the managed travel distribution chain that relies on the service of several intermediaries between travel suppliers and the traveler/travel manager. Namely, GDS providers and TMCs.

For this segment of open booking supporters, the services provided by these two types of providers have failed to live up to the fee structures that they impose. Open booking strategies that allow travelers to book direct with suppliers or with online travel content aggregator sites like Kayak or Priceline, circumvent GDS distribution fees that are added to rates offered through agencies, as well as transaction fees that are charged from the agency itself. The ability to circumvent these charges on a large scale could offer significant savings to the corporation.

One open booking pioneer with robust alternative technologies and structures has reported that it is openly prioritizing vendors that will enroll in technology partnerships that allow corporate travelers to synchronize direct bookings with negotiated corporate discounts. Included in this new paradigm is a demand for deeper discounts with participating suppliers that would at least remove the distribution fees that would be charged if the company's travelers were booking through the agency.

This company is also restructuring its relationship with its agency. Trip data is transferred to the agency after it is booked, at which point the agency can offer additional services. The corporation has worked with the agency to introduce a subscription fee per traveler for these services, rather than a transaction-based structure. It has also deployed

a proprietary technology on agent desktops that allows direct communication with and service to travelers.

For most companies, however, the traditional transactional fee structure with the agency remains. In addition, agencies have become the primary source of travel data by which a corporate travel program is managed. As a general rule, the agency charges clients for customized reports and access to data, and some travel managers have become disheartened not only with the costs associated with this service, but also the quality of the data.

FINRA's Carol McDowell, who says she believes in managing travel "1000 percent" and who comes from an agency background said that "even before this program, I decided that I wanted to get away from TMC data—the integrity and accuracy of it is just not there." She is currently accessing credit card data through her expense reporting tool and creating customized reports to get at the information she requires.

She admits, however, that "it's been incredibly difficult to create the reports if they are not canned reports; for six months we have had a lot of trial and error with [our expensive provider's] online tools. I have data experts and IT in my company who are helping me; otherwise, I could not do this."

MAJOR MISGIVINGS

As appealing as many of these upsides may seem, managed travel professionals on all sides of the issue admit there are major hurdles to clear before an open booking strategy can become a reality for a managed travel program. For open booking leaders, their internal technology advantages have worked to minimize the downsides. For the vast majority of companies, there are serious issues to consider before jumping on the open booking bandwagon—and the first may be to examine the corporation's tolerance for loss of control.

"In an open booking environment, you notice the loss of control almost immediately," said Tom Tulloch, senior vice president of business intelligence and consulting for TRX, a leading data aggregator and provider of travel management technologies.

Unmanaged travel programs or smaller, domestic programs are promising candidates for open booking solutions in their current iterations. Larger companies may want to bolt open booking capabilities onto their existing managed programs as a way to capture off-channel bookings, but not as an alternative to more robust travel management structures.

The concern among many travel industry leaders is the idea that as a company unlocks the door, corporate travelers will take it as a sign that the policy has become more liberal and they are not required to use the sanctioned tools provided by the corporation. In this case, corporations run the risk of an unintended migration of travel data moving through currently unproven channels.

The prospect of moving a larger/complex program to an open booking platform and unwinding from traditional travel management paradigms must be considered with extreme commitment levels. "These companies are doing their homework and looking to create the safety nets and to track the data through credit card or another data source so they plug the holes of the open travel environment," said Tulloch.

Sapient business travelers who booked outside the agency/sanctioned online booking tool spent 15% to 20% more per trip than those who stayed in the program when booking travel.

—Michelle De Costa, Global Travel Manager, Sapient

Whether large or small, companies considering an open booking implementation would do well to start with a pilot program to monitor and measure the following:

Loss of Data Control – No matter what tools are being used to capture data from off-channel bookings, monitor both the quality of the data and how well it is transferred to the desired sources (internal sources, expense reporting systems, travel security partners, TMCs). Look

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at timing of data transfer, especially for traveler safety and security purposes, as the industry should be supplying nearly real-time data support for those programs. Consider mandating the corporate card as a safety net and, if possible, track (through surveys or other means) what sites travelers are actually using for their bookings. Look for patterns in any data loss issues.

Also, consider the internal resources it may require to facilitate new data integrations with partners. Off-the-shelf tools tout their ability to transfer data, but open booking success stories include strong internal technology expertise and even proprietary technologies to support large-scale implementations.

> "[Early adopters] are doing their homework and looking to create the safety nets and to track the data through credit card or another data source so they plug the holes of the open travel environment."
>
> *—Tom Tulloch, SVP Consulting and Business Intelligence, TRX*

Traveler Safety & Security – Beyond the ability to transfer data automatically to a traveler tracking system or traveler security partner, it is vital to understand the impact of off-channel bookings on any TMC services that a corporation relies on in an emergency situation. Environmental disasters, train or airplane accidents, terrorist attacks… travelers are affected by all of these events and they can spell disaster for a corporation that is not prepared for crisis management. Off-channel bookings are unlikely to be serviced by a TMC partner—in general, they will not be able to touch the reservations or have access to information needed to assist travelers. Consider the impact on the travelers and the corporation if it is necessary to address large-scale traveler displacement in an open booking environment.

Supplier Negotiations – Especially for large corporations that are considering a hybrid program, the ability to drive travelers to preferred suppliers and then capture that data for negotiations is critical. In an open booking environment, travel managers lose the ability to guide travelers to their preferreds. Even if the data is transferred to an expense report or other source, it may be useless for volume negotiations as travel managers lose the ability to rationalize their supplier base.

Air Travel Patterns – Companies with heavy international travel volume will want to think very carefully before deploying open booking. While primarily domestic programs may be less sensitive to losing a 3 percent to 5 percent discount off of a domestic fare—especially when they get a better discount from a spot web purchase—corporations that have negotiated deep discounts on international fares and business class are unlikely to see better deals with webfares.

Employee Productivity – For some travel managers, the idea of productivity loss is a non-issue. "My travelers shop for their itineraries outside of my sanctioned tool anyway," said McDowell, but others may be more wary. It will serve the corporation to monitor how much time an employee takes not only to shop and book directly with suppliers, but also how much time they spend dealing with issues that arise in transit. Without the ability to contact a TMC for assistance, en route problems may become more of a productivity issue in open booking environments.

Cost of Training/Change Management – Finally, as companies migrate to open booking environments and set up the structures necessary to plug gaps in policy and process, the cost of retraining TMC agents, travelers, administrative assistants and even other travel managers could be considerable.

MOVING FORWARD

When considering open booking, each of these issues must be viewed through the lens of cost savings and the importance of traveler satisfaction. It is possible that open booking is the corporation's ultimate long-term strategy to move into a future that offers better traveler satisfaction and the retention of the most qual-

ified and sophisticated workforce possible.

"Even if the results of my pilot are cost neutral, increased traveler satisfaction is a return on the investment in itself," said McDowell, and it's that eye on the future workforce that technology providers are counting on to push open booking from concept to a new travel management paradigm.

In its current iteration, however, corporations should proceed with caution and give thoughtful attention to the question of data. Sophisticated travel managers already know that it takes multiple sources of data to get an accurate view of travel patterns, travel behaviors and travel spend—and the success of their programs relies on the ability to consolidate this data to get the best view of their program. The requirement for quality data does not disappear in an open booking environment, and companies should look for open booking partners that are able to provide real-time access to a broad range of travel data to support program decision-making.

"The more data sources you are capturing, the easier it is to maintain control," said Tulloch. "For those companies that already who have good quality data and data sources, open booking will be less of a challenge.

To be sure, data has become the central nervous system of travel management and without it travel managers will be hard pressed to drive the strategies and program changes that will prove valuable to their corporations—in an open booking environment or otherwise. ■

ABOUT TRX

TRX, Inc. is a global leader in data, software and solutions, primarily in the travel industry. TRX solutions help the world's top travel agencies, governments and corporations save money and increase efficiency. TRX technology adds visibility and value to travel programs through data intelligence, process automation, outsourcing, and a host of related software and mobile solutions. For more information on TRX products and services, visit www.trx.com or call 404.929.6100.

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