Travel Management Companies and Business Travel

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Introduction

In this lesson we will talk about travel management companies and business travel. In particular, we will discuss about challenges and opportunities for travel management companies as well as their relationship with the digital transformation.

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Agenda

Business Travel vs. Leisure Travel

The role of the TMCs

The roles of Travel Managers

Challenges and opportunities for TMCs

Digital Transformation

Business travel vs. leisure travel
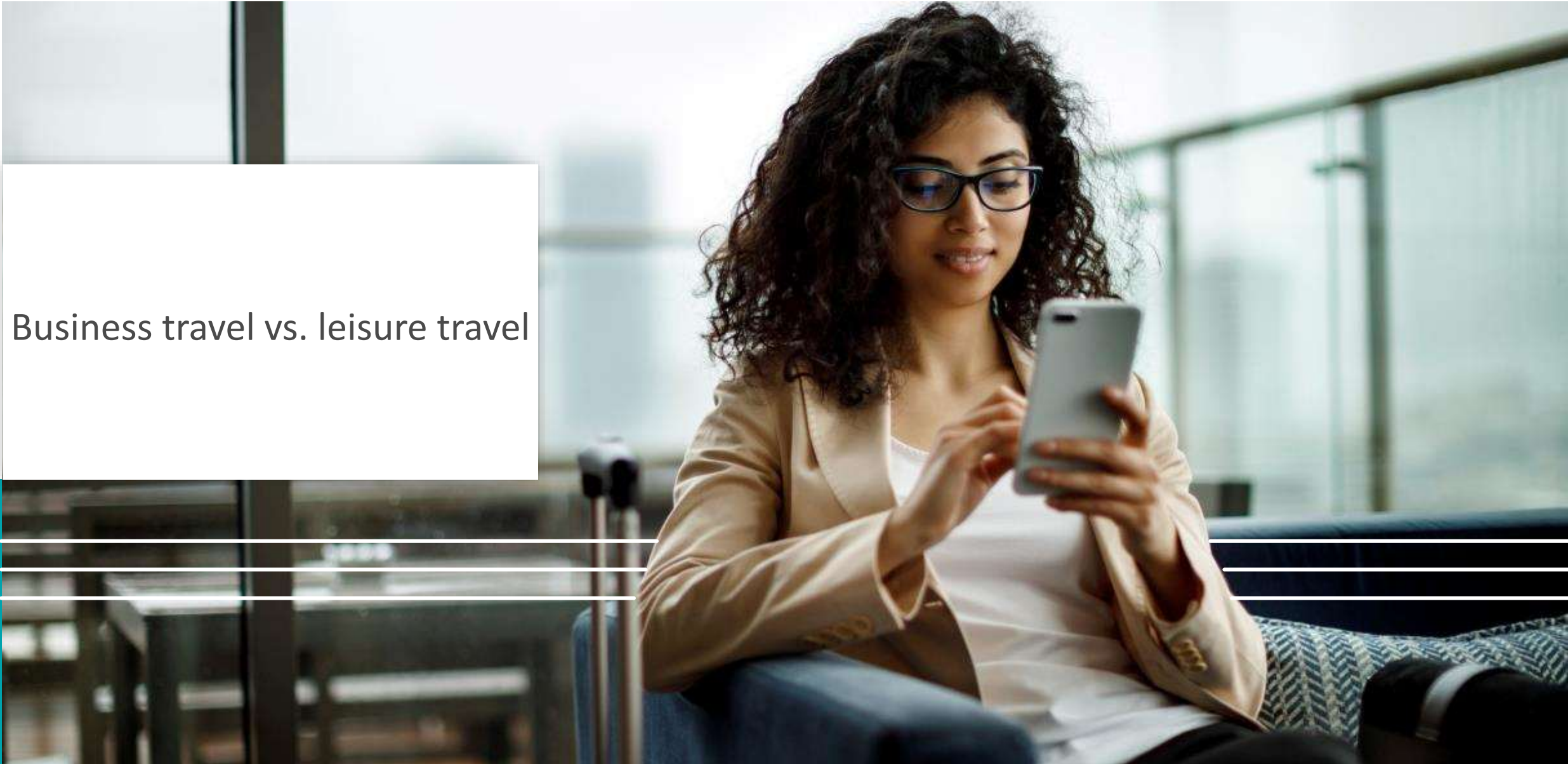
- The fact that a trip is organized by a company for business reasons, rather than by a private individual for a holiday entails a whole range of specific requirements.

- In fact, when an employee of a complex organization, such as a company, plans, organizes and carries out a journey, finds himself having to manage a whole series of specific requirements, which are absent in the case of a holiday, such as:

  - approval of travel expenses by the competent corporate bodies

  - compliance of the travel plan with the company's travel policy

  - management of expense reports, refunds, etc.

- The company itself has to perform a whole range of additional tasks in relation to travel, which an individual who goes on vacation does not have, such as:

  - accounting and tax balance

  - management of duty of care towards employees (which will become presumably much more important due to the effect of COVID)

  - selection of suppliers and negotiation of fares by the purchasing department or equivalent (e.g. corporate fares with airlines and hotel chains)

- To support these specific requirements, it is needed a specialized travel agency, with organization, skills and operational processes other than those of a common travel agency that organizes holidays. Travel agencies specialized in corporate travel management are called Travel Management Companies (or TMC)

Did you know that…

41% of business travelers use the internet to organize travel

Source: Smart Insights Digital Trends

The role of TMCs

- A TMC performs a whole range of specific tasks for business travel:

  - management of travel organization processes in an integrated and consistent way with the relevant company processes to select suppliers, negotiate rates, get the travel approved, do reporting and accounting

  - application of the travel policy

  - management of company employee profiles (which include the data necessary for their reservations, but also possibly their travel preferences, their position relative to the travel policy, etc.)

  - consultancy to the company for the optimization of travel expenses both in terms of cost and in terms of quality and efficiency

- There is no one single organizational model in the relationship between TMCs and corporate clients, but there are many alternative models, some of them more popular than others at certain historical times, depending on the specific needs and preferences - but also the size of the companies. It goes from one extreme where the company directly manages all travel processes internally, by creating a true internal travel agency, to an extreme where the largest possible amount of travel processes is outsourced to a third party TMC - with all possible intermediate options, such as the opening of an agency implant at the client company.

- The services offered by TMCs:

  - Consulting and assistance;

  - Air, rail and sea ticket office;

  - Booking of hotel services;

  - Car rentals;

  - Transfers;

  - Insurance;

  - Visa applications

The role of

travel managers
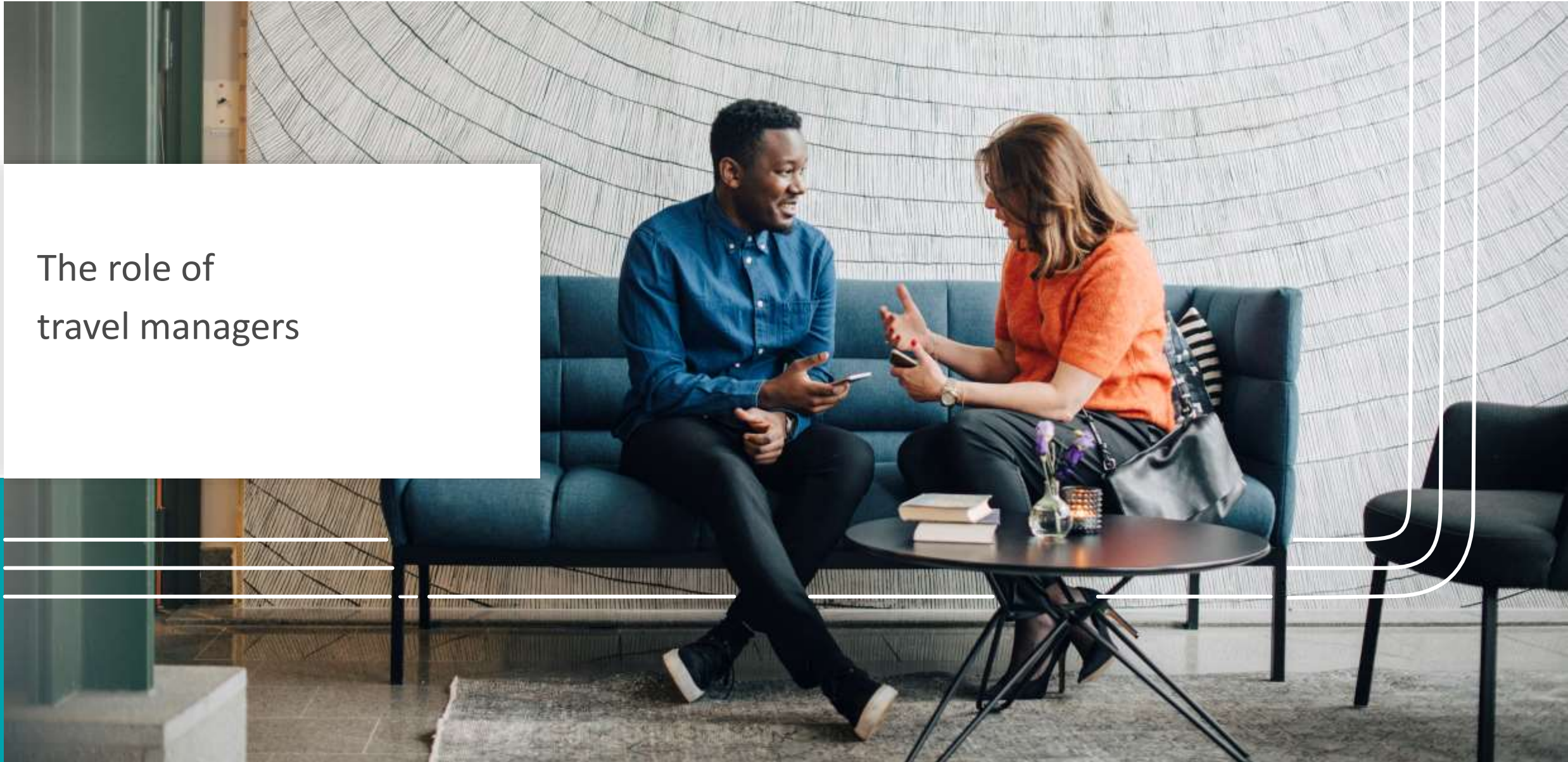
- Similarly, the professional figure of the company that manages the interaction with the TMC and traveling employees can take on different configurations and reside at various corporate functions:

  - purchasing office

  - Human Resources

  - PAs, etc.

- In the more advanced cases, companies have created a specific and dedicated professional figure, the travel manager.

- In the same way, the business model in corporate travel can take different configurations:

  - Transaction Fee (the TMC charges a fee for each transaction)

  - Management Fee (the company pays a monthly, quarterly or annual fee)

  - Subscription Fee (the amount depends on the amount of corporate users at every month), etc.

- How has this scenario been impacted by digital transformation?

- Historically, the first major effect of digital transformation on corporate travel has been the creation and diffusion of the Online Corporate Self-Booking Tools, which automate the largest possible range of functions and interactions, in an online self-service logic by company employees or dedicated corporate functions

Challenges and opportunities for TMCs

Did you know that…

Today's TMCs don't manage more than 60% of corporate travel expenses.

The digital transformation offers them the opportunity to take the remaining 40%.

- Digital transformation of corporate travel does not end with the advent and increasing adoption of self-booking tools.

- TMCs play a vital role in the effectiveness of corporate travel plans, typically managing around 60% of the expenses of corporate travel. Technology offers them the opportunity to take the remaining 40%

- The hospitality business is a high-potential area for TMCs, with significant growth margin

- According to a research performed by the Hotel Booking Agents Association, ('Money For Nothing - Get your checks for free? Payment models in the meetings market, '2017), 86% of TMCs mention hotel commissions as one of the 3 most important sources of profit. However:

- According to another study (2018, HRS, How Innovative Hotel Solutions Can Reduce Leakage), as many as 60% of hotel reservations are made outside of the TMC channels, against only 28% of the air bookings

Did you know that…

According to research conducted by Skift and Expedia, 68% of corporate travelers book half of their trips using non-corporate booking channels, therefore outside the TMC.

- According to a recent study conducted by Skift and Expedia, 68% of corporate travelers book half of their travels using booking channels not approved by the company, and therefore outside the TMC.

- The direct websites of the travel suppliers and other innumerable "Internet sirens" attract business travelers with attractive graphics and product information more accessible and clearer than certain traditional channels, making them to forget all the management and even economic advantages of booking through a TMC.

- The selection of the right solution that a TMC should offer to its corporate customers depends on a complex multiplicity of factors: there is not only the price, of course, but also the type of travel experience that satisfies and retains the customer - without mentioning that it is sometimes advisable to give priority to a specific service provider to achieve specific sales objectives which will also benefit the client.

- Balancing all these factors is difficult and requires training and control (in the case of reservations made by agency operators) or advanced and complex technological settings (in the case of a self-booking tool).

Digital transformation

Business traveller centricity

- Digital disruption is becoming increasingly pervasive in the distribution of travel services and corporate travel managers are consequently faced with new challenges and new opportunities, completely different from what they were used to manage only a couple of years ago.

- The travel distribution chain is reorganizing around new logic and new channels - and increasingly innovative conversations are taking place between the various players in the chain.

- It is important that corporate travel managers, who represent the mobility needs of corporate travelers, are aware of ongoing innovations and can actively participate in ongoing conversations.

- In fact, no sustainable evolution of the travel sector is possible that does not consider widely and specifically the interests and problems of business travel.

Technology Trends

- And this is only the present. Travelport has already identified the technological trends that will be decisive in the coming years – such as artificial intelligence, machine learning, mobile, big data, and the internet of things

- Some help to understand the transformations currently underway in the travel sector, especially in the digital sphere, comes from Travelport's "Trends 2020" study.

- We have now reached the fourth edition of our annual research on new travel trends. We interviewed 23,000 travelers from 20 countries (Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Kenya, Mexico, Russia, Saudi Arabia, Spain, South Africa, the United Arab Emirates, the United Kingdom , United States) and we talked to 18 global OTAs and TMCs. The results of our study are available for all professionals in the sector in our "Trends" e-books, which can be downloaded for free from https://marketing.cloud.travelport.com/trends2020.

Technology Trends

- The first point that catches the eye when reading the results of the Travelport study is the fact that the massive adoption of mobile as a flight booking channel in business travel is no longer just a forecast, but an already current reality, in particular for certain age groups: 59% of respondents between 20 and 39 years of age (the so-called Millennials) declare that they regularly make flight bookings for corporate travel on their smartphone. For years, the main battle fought side by side by companies and TMC has been that of the adoption of corporate self booking tools by employees. The self booking tool, in fact, is the ideal tool to solve many of the pain points in the work of a travel manager, from compliance with the corporate travel policy to the integration of all internal and external processes related to the management of travel and its costs. However, the attractiveness, at least apparent, of travel websites external to corporate channels, both in terms of prices and booking experience, has always diverted corporate travelers from using the self booking tool.

- In fact, our research tells us that only 24% of business travelers, of any age, say they book regularly with a corporate self booking tool, while 48% say they regularly make reservations through different websites or mobile apps

The Super App

- But the most interesting fact is that already 29% of the business travel sample habitually makes the booking for all components of the trip through a single website or a single App - an option that a few years ago was not even available. It would seem that between the two litigants - corporate booking tool and classic Web - it could be the third to enjoy, that is the Super App!

- But what is a Super App?

- A Super App is a single gateway to an entire ecosystem of virtual products and services. It is an all-inclusive app that eliminates the need to call up individual apps to perform specific tasks. The giants of Super App technology offer their users a one-stop shop to communicate, buy online, book travel, receive banking services, socialize even romantically, get food deliveries and pay for anything in a single unified smartphone app.

The Super App

- The Super Apps were born in East Asia because in that area the availability of mobile Internet connectivity has always been higher than that of fixed Internet connectivity, and because the adoption of credit cards has always had a lower penetration than in the West, favoring the development of payment platforms via smartphone, however it is evident that the giants of the mobile Internet of the western world, such as Google, Facebook and Amazon, are well positioned to create real Super Apps - and have clearly started to move in that direction.

- Many commentators already consider Google Maps a sort of Super App, but even Facebook, with 2.6 billion users on its 3 platforms Facebook Messenger, WhatsApp and Instagram, would have all the interest, and the opportunity, to challenge WeChat.

- Even the CEO of Uber has been quite clear about his company's intentions, stating: "We want Uber to be the operating system for everyday life." With Uber's core business threatened by huge regulatory burdens, the company is looking to expand its offerings beyond simple car transfers. This new strategy will allow users to access transportation, groceries, hot meals, banking and more in one app.

Super App and Travel

- A Super App offers many benefits compared to normal Apps. For its users, the Super App guarantees the convenience and ease of use of always moving within a single environment, without having to continually switch from one App to another.

- For a company, the Super App model represents a significant advantage in terms of loyalty, control, customer experience, brand consistency and leveraging on Big Data for more powerful predictive analyses.

- While the world of business travel is caught up in discussions and negotiations between companies, airlines, TMCs, OTAs, GDSs, corporate self booking tools, etc., all intent on strengthening their position and increasing their value in the service chain, all the players in the supply chain could be taken by surprise by the entry into the world of travel of a Super App that would have the combined power of many online companies, as if it were a sort of super entity Google + Apple + Facebook + Amazon + Uber + Netflix, etc.

Super App and Travel

- Travel is an essential component of the colossal Asian Super Apps. Grab recently introduced hotel reservations in partnership with Agoda and Booking.com, while WeChat allows users to book flights, hotels and train tickets. KLM, for example, has completely integrated the functionality of its mobile website into its WeChat account, allowing users to book flights, research their flight status or check in via the Chinese super app. Once a flight is booked, users receive reminders on the app when online check-in opens, they can receive their boarding pass on their WeChat account and they can contact KLM customer service via the app's chat interface .

- The connection between Super App and Travel is no longer an Asian phenomenon, but a global one: according to our study, 84% of travel professionals believe it is important to have a Super App, 45% plan to invest in a Super App in the 2020, and in any case 81% of travel companies intend to increase their mobile investments during the year.

- On the other hand, it is possible that travel can play the role of catalyst and accelerator for the spread of the Super Apps in the western world, just like smartphone payments have done in Asia. In fact, the giants of generalist e-commerce have not yet managed to penetrate travel as they have done in all other product sectors and the Super App model could be their 'Trojan horse' to extend their dominion over travel

Super App and TMCs

- A Super App focused on travel services could also come from a less obvious direction than the usual Google or Facebook. TMCs are ideally placed to extend and evolve their mobile itinerary management platforms to become a real Super App. All these mobile platforms already include flights, including boarding pass management, and hotels, and some are already integrating ground transportation and restaurant reservations. No actor is better positioned than the TMC to be able to integrate the internal processes of companies into a mobile platform, from approval to management of the expense report.

- From the point of view of corporate travel managers, we can therefore look at Super Apps from a double perspective. On the one hand, a Super App, especially if managed by an Internet company outside the travel sector, could pose a significant threat to corporate programs, presenting employees with an even more seductive temptation to make reservations outside the approved corporate channels. On the other hand, however, a Super App designed specifically around the mobility needs of a company, especially if managed by a TMC, could constitute the best possible solution to the problem of creating a well-integrated flow that accompanies business travel from its planning until the accounting closure, all within a framework that guarantees compliance with company policies - the Holy Grail that all travel managers have been looking for for years.

In any case, whether you intend to create a Super App, or want to integrate your services or systems into a third-party Super App, the necessary condition for success is to use a scalable, modular, cloud-based and API-focused technological platform.

Note about examples:
All screen examples and other inserts associated with system output are provided for illustration purposes only. They are provided as illustrative examples of system functionality and are not meant to represent actual screen responses, rates, etc.