



HIDDEN FIGURES:

Removing Invisible Costs From Your Hotel Program

Changes in traveler behavior, hotel chain marketing tactics and content sources have introduced a new level of chaos into corporate hotel programs. The result is confusing deals and complex policies that hide the true value of hotel programs — services that enhance traveler experiences and support savings and duty of care.

During a recent webcast staged by The BTN Group and sponsored by BCD Travel, travel professionals discussed how they manage hotel program problems, including how to keep travelers from deserting programs; and ways to ensure hotel programs are getting expected savings from negotiated hotel rates.

THE COST OF LEAKAGE

Hotel chains and third-party booking sites are increasing their efforts to lure travelers — including your business travelers — to book through non-preferred channels and properties.

According to PhoCusWright's U.S. Business Traveler: Managed, Unmanaged, and Rogue 2012 report, "Less than 40 percent of business travelers book via their company's recommend providers," said Lisa Scott, BCD Travel vice president of global client management. "Yet, when travelers book through the travel management company or corporate booking tool, they save between 9 percent and 25 percent over other channel options," she added, citing a Travelport study.

Michelle DeCosta, director of category strategy and corporate travel at Liberty Mutual, said her company's ongoing analysis of hotel leakage found that rates booked through non-preferred channels were 15 percent to 20 percent higher than preferred hotel



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rates booked through the corporate program. "There was compelling information to push" the company's preferred hotel program, DeCosta said.

The Liberty Mutual travel program launched a strategy for curbing out-of-program hotel bookings. The team identified where hotel leakage was happening by comparing hotel charges from card and expense data against bookings made through BCD Travel. Then they broke out the data by company divisions and sent a quarterly dashboard report to the chief financial officers of each unit. It was easy for everyone to see problem areas.

"Travelers want to do the right thing. That's where communication comes in: making sure they know what the right thing is."

— Michelle DeCosta, Liberty Mutual

When bookings were made in-program, but at non-preferred properties, the company asked travelers why. Reason-code tracking helped the travel team "tailor the program" to add hotels where needed. It's one of many ways Liberty Mutual engages travelers in making the program better.

COMMUNICATING BENEFITS

"Communication is a big part of the hotel program and how you build it," DeCosta said. "Travelers want to do the right thing. That's where communication comes in: making sure they know what the right thing is."

At Liberty Mutual, the right thing is booking one of 158 preferred hotels through the corporate booking tool or TMC. To better

leverage hotel spend, the company in recent years reduced the number of preferred properties in its program by 40 percent. The travel team communicated the overall strategy to travelers, explaining why they kept some properties and removed others.

Negotiated rates are accessible through the GDS to all of Liberty Mutual's global TMCs and linked from the booking tool. In addition, the company publishes a directory and promotes the hotel program on OBT banner ads and in a social media community. The focus, DeCosta said, is widespread awareness of the hotel program and open communications with a dedicated travel email address and instant messaging. The corporate travel department aims to be an advocate for travelers.

Communicating program and traveler benefits, such as internet access as part of the negotiated rate, also is a major area of focus for Cardinal Health, said Jill Huffman, senior manager of global travel and meetings management.

Benefits of all negotiated rates are listed in the company's online booking tool. Where possible, Huffman wants her 445 preferred hotels to welcome company travelers to each property with a letter that details the benefits included in the rate unique to that property.

The company tracks the value of the negotiated rate program by factoring typical costs for internet (\$9.95 per day), continental or full breakfasts and other amenities that would not have been covered by non-negotiated rates.

DUTY OF CARE

Beyond rates and service, companies also emphasize the safety and security of their negotiated rate programs. Companies can better locate and assist travelers during crises or disruptions when they're staying in hotels



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booking through preferred channels. Selected hotels have met safety and security standards, or perhaps even passed an onsite visit from a company security department official.

INCREASING COMPLIANCE

Should a traveler book a non-preferred property, Huffman said, she identifies it on a report run each week of all new hotel bookings made via the agency or online tool. Those who booked at a non-preferred property within five miles of one of the company's preferred hotels receive an email request to move the booking to the preferred property. More than 80 percent of employees comply with the request, she added. The tactic is just one of dozens implemented over the past seven years that have helped transform what was a domestic program with less than 30 percent compliance into a program in 60 countries with hotel compliance of nearly 85 percent.

“When I started we had less than 30% compliance in our hotel program; now we’re in the mid-80% range.”

— Jill Huffman, Cardinal Health

LURE OF LOYALTY STATUS

Despite the benefits of preferred hotel programs, travelers often prefer brands that offer the most loyalty program points, and it's up to travel managers to creatively address the issue.

Cardinal Health offers a variety of hotel brands — and never three brands from the same chain — in most of its major destinations. That gives travelers more opportunities to stay

in program and also accumulate loyalty points. In addition, in markets where properties are changing, Huffman has worked with national hoteliers to match travelers' preferred statuses with other chains.

To balance negotiated and non-negotiated, but commissionable rates, Huffman “sources no more than 60 percent of our markets.”

AUDITING PROGRAM INTEGRITY

After the rigorous hotel request-for-proposals process each year, DeCosta said, her team verifies not only the rates across all room types and date ranges in the booking tool and global distribution system, but also that the “hotel is honoring the amenities and cancellation policies, to confirm that what we worked so hard to negotiate is actually available.”

When preferred rate-loading discrepancies are found, the team asks hotel partners to remedy issues and remove those properties from the OBT. The overall error rate after the last RFP cycle was 14 percent, and most problems were fixed after one or two inquiries, DeCosta said. “One or two hotels were never put back into the program because the rates or amenities were never correct,” she added.

To maintain integrity of preferred rates, Huffman said, her team automated its auditing by adding a rule to the online booking tool. It prevents bookings at preferred properties charging \$1 or more over the negotiated rate and alerts the Cardinal Health travel team to the problem. To resume bookings, the team asks the hotel to fix the issue.

To ensure the integrity of negotiated rates, DeCosta said, she partners with TripBAM to search for lower rates at the same hotels. If lower rates are found, the agency will rebook the traveler. The rich data garnered from the searches, along with benchmark reporting



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from Lanyon, TripBAM and BCD Travel, help formulate hotel negotiating strategies for the next year, she added.

TRAVELER FEEDBACK

To keep current on traveler feedback about each of its preferred hotels, Cardinal Health runs a weekly report on all hotel checkouts, based on bookings. Each traveler slated to check out of a preferred property receives an email request to complete a survey developed by the travel team and rank the hotel on a five-point scale. Each preferred property must maintain an average rating of 3 or higher. A weekly report summarizes survey comments, and the travel team calls all properties that receive scores below 3 to ask about changes and request improvements. "If they continue to rate under a 3, we remove them from the program," Huffman said.

Survey response rates are typically 50 percent or more, Huffman said, adding, "if there's an issue, you'll get responses back very quickly." Traveler feedback helps the travel team keep tabs on satisfaction with preferred properties and provides valuable insight as

Huffman assesses properties to include in the next RFP cycle.

ENGAGING TRAVELERS

For companies that find travelers booking outside preferred channels or properties, Scott said, they should ensure four key elements:

- Content across a wealth of sources
- Lowest rates offered, regardless of source
- Incorporation of negotiated hotel program
- Business intelligence that enables better decisions

Echoing recommendations from travel buyers, Scott said companies should engage travelers with relevant messaging sent via email or mobile messaging platforms like BCD's TripSource®. For example, travelers who have booked a flight for an overnight trip but haven't booked a hotel would receive a reminder to book a room at a preferred property. At check-in, travelers would get a message about included amenities, such as Wi-Fi and breakfast. These timely touches emphasize the value of the program, she said.

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