

Performance Management Strategies

FOR 2018 AND BEYOND

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Historically, the request-for-proposals process that formed the bedrock of corporate travel procurement was relatively straightforward and stable. Every year, business travel buyers would commit certain levels of volume or share of their hotel spending to chains or individual properties and, in return, receive discounted rates for the next 12 months. Travel buyers would go through the same process every few years with airlines.

Today, however, technology and data-management processes have matured and enabled travel suppliers to implement sophisticated yield-management strategies. Hotel and airline inventory can be priced based on real-time assessments of demand and market conditions. And suppliers are working constantly to finesse those prices to maximize their revenue. As such, buyers may find an annual or multiyear deal to be far too blunt an instrument to handle such complex pricing strategies—a rotary phone in a smartphone world.

"Things have changed," said BCD Travel's vice president of global hotel strategy, Marwan Batrouni, during a recent webinar. "When we think of the marketplace, things are moving a lot faster. The traditional way of procuring travel really needs to change with the times."

That webinar, conducted by The BTN Group and sponsored by BCD Travel, included Batrouni and several corporate travel buyers' assessments of strategies to manage and measure corporate travel program and supplier performance in regard to negotiated deals. Gaining a more complete understanding not only of the actual fares and rates business travelers are booking, but also suppliers' performance in making available and delivering on contractually promised content, can offer buyers powerful negotiation tools.

HOTEL STRATEGIES

For hotel negotiations, Batrouni suggested progressing beyond the flat rates often included in contracts by regularly ensuring hotels are living up to deals in

terms of negotiated rate availability.

"We use the words 'dynamic performance management' to indicate that it needs to be on an ongoing basis rather than once a year or every two years," Batrouni said. "[It's about] the actions you take after you source the hotel program in order to manage that category well. It involves looking at key performance indicators in the program to make sure everything is working properly and opportunities are identified. It's about monitoring supplier performance and making adjustments as you go along, not once a year."

"The advancements in technology and maturation of yield-management strategies have enabled hoteliers to monitor market conditions, including seasonality and demand, and react accordingly by altering prices each day, even multiple times per day," Batrouni explained. "This leads to a significant increase in the number of room rates available to book in a given hotel at a given time. And it means more options for business travelers to book a room at a rate other than an organization's preferred rate. These other booked rates typically are higher than the preferred rate," he said, "which increases the organization's overall hotel spending past what was negotiated."

"Unless you're monitoring and tracking the performance of your program and how suppliers are performing, you're leaving a lot of money on the table if you don't adjust appropriately," Batrouni said.

DATA IS EVEN MORE IMPORTANT

"Gathering and analyzing that data on a monthly basis, rather than annually, offers buyers far more opportunities to limit hotel spending in several ways," he said.

"If you use data correctly—whether that's looking at your own KPIs for your program, or rate availability data, or the comparison of average booked rates to dynamic rates to [best available] rates to preferred rates—you'll have a lot of things you can do to make adjustments to your program," Batrouni said. "You

could renegotiate with hotels if you identify they are not providing significant discount off of the best available rate. You'll be able to replace fixed rates with dynamic rates, if your data shows that will offer a deeper discount. You can address rate availability issues and close any coverage gaps in new markets."

Healthcare firm Anthem Inc. recently worked with several partners to develop a dynamic hotel solution that aggregates data from multiple sources to provide a transparent, comprehensive view into the company's performance in that area, as well as its preferred hotels. "The goal," said Anthem director of travel and events Cindy Heston, "was to develop a strategy that reflects market-based conditions and demand, moves away from annual RFP processes and toward continual management, and finding new opportunities through constant monitoring of share and any associated shifts."

"The hotel program has been a very challenging game that we all engage every year. It's time to bring some transparent information and make decisions based the right reason for a [rate] increase or a decrease, not just a pendulum that swings back and forth," Heston said.

Heston's team uses a Domo data management platform to aggregate information from several Anthem partners, including hotel volume from BCD Travel and aggregated, quantitative guest feedback information from tech firm TrustYou. The platform also includes data from corporate travel hotel rate-shopping tool TripBam, which continually attempts to rebook hotel rooms and provides data to Anthem on the rates it achieved, which then can be compared to preferred rates provided by BCD. Data on actual booked rates and the percentage of time preferred rates were available to be booked is provided by online booking tool GetThere.

"It's a real-time, every-day, every-minute monitoring system, which brings about transparency and understanding," Heston said.

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The platform allows Heston's team to model the effects on spending of a hypothetical shift of hotel share in a given market. They can, for example, direct more volume to hotels based on brand, level of service or price. Entering such hypothetical scenarios allows Heston to model the effects throughout the program.

"To have this data in hand is transformational," she said. "I really feel like we've put together a great solution. This is the first year we're launching and executing it, and we're seeing great feedback, pricing and value."

AIR STRATEGIES

Hotels aren't the only corporate travel segment in which buyers are testing performance management strategies. In 2017, media and technology firm Bloomberg L.P. deployed a new airline-negotiating strategy designed to broaden coverage with its preferred carriers while driving costs down.

"Bloomberg sought incremental savings by negotiating for better terms in the company's top markets while also seeking additional coverage for gaps in its network," said global category man-

ager Joanne Kelly. The company began its effort in October 2016 with negotiations for two-year contracts continuing throughout 2017.

"We introduced the dynamic management aspect in prenegotiation," Kelly said. "We identified gaps in program we wanted to address and the improvement we wanted to make in the program so we were competitive in the market."

Bloomberg conducted two rounds of negotiations with carriers, focusing on price and some soft-dollar benefits. Using tools from BCD Travel consultancy Advito, Bloomberg was able to calculate per-ticket savings based on booking class and fare basis code by comparing the published fares offered by carriers with the fares actually paid under the terms of the negotiated deal.

"We think a dynamic management model is best in class," said Bloomberg global travel manager Rafael Rosario. "We have a small team of resources within our organization not dedicated to a specific commodity like air, hotel or ground, so that is why we opt for this model."

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About BCD Travel

BCD Travel helps companies make the most of what they spend on travel. For travelers, this means keeping them safe and productive, and equipping them to make good choices on the road. For travel and procurement managers, it means advising them on how to grow the value of their travel program. In short, we help our clients travel smart and achieve more. We make this happen in 108 countries with almost 13,000 creative, committed and experienced people. And it's how we maintain the industry's most consistent client retention rate (95% over the past 10 years), with 2016 sales of US\$24.6 billion.

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