# A New Paradigm for T&E Procurement: Control *and* Flexibility

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It's widely accepted that travel and expense costs (T&E) represent a Top 5 category of spend for most companies. The size of the category is driving a growing emphasis on managing travel and entertainment (T&E) costs with an eye toward an improved bottom-line; according to a recent report from Aberdeen Group, nearly 40% of the participants reported an increase in the importance of T&E management in the past 12 months.

The need to control T&E spend is not really surprising. But it's not easy. One of the biggest challenges in managing T&E spend is the growing trend where cost increases are passed directly on the buyer in the form of "unbundling".

Consider air fares. American Express, in its annual projections for 2011 T&E spending estimated that domestic air fares would increase between 2% and 8%, while international and long-haul fares would rise 3% and 10%. Those numbers were likely worked into the 2011 budgets, but what was not considered were things like fuel surcharges or the rising trend towards ancillary fees for things like checking a bag, a better seat, or in-flight wi-fi, services that could easily add another 10-30% on to the price of a ticket.

To illustrate the point, in the first quarter of 2011, there were three fuel surcharges levied by the major airlines. Surcharges like these are at the heart of a growing trend where cost increases are passed directly on the buyer in the form of "unbundling" and the engine behind intense volatility in T&E costs.

The chart below quantifies the impact of these projected increases:

|  | 2010 Budget | 2011 Budget | Reason |
|---|---|---|---|
| Air | $10M | $11M | 10% increase in airfares projected due to reduced supply; increased demand; fuel surcharges; ancillary fees |
| Hotel | $4M | $4.24M | 6% increase projected; may increase as much as 15% based on spend patterns |
| Rental Car | $2M | $2.1M | 5% increase projected due to more taxes, fees and fuel |
| Distribution Fees | $0 | $60K | $2.00 per transaction (based on 30,000 transactions) |
| Totals | $16M | $17.4M | $1.4M increase for a similar number of transactions |

Given the relative "newness" of these models, the costs are not yet part of the negotiating strategies for procurement teams. The question then is: *How can companies manage T&E spend during turbulent times when the ability to control the price is often impossible?*

**Taking Control over Rising Costs: The Lifecycle of a Trip**

Today, most travel buyers contract and apply travel policies that address the "Big Three": air, hotel and rental cars.  Unfortunately, as we've established, volatility – driven by  the continued questions that some have about the stability of the global economy, rising fuels cost and hotel capacity at all-time highs in major markets – is likely to increase T&E costs well beyond what's projected.

If there's little that can be done about increases in air, hotel and rental cars, what's left?   The good news is that these three categories usually reflect only about half of the total spend on a typical expense report.

What are the other costs?  Dining, ground transportation, entertainment, conferencing, parking and more are all part of even the most routine business trips.  Since these are not usually factored into T&E sourcing practices or considered when drafting company policies, employees are left to their own devices to source necessities, such as transport to and from the airport.

For sourcing teams, next-generation T&E procurement starts with a more holistic view of spend across the entire trip lifecycle – and the tools to help manage these related spend categories.

**T&E Management Today: A 50% Solution**

Companies typically provide various tools and processes to guide employees through the travel buying process.  Those include an online booking tool, access to a Travel Management company, and a designated form of payment.   They then negotiate deals with preferred airlines, hotels and rental car companies, and create and communicate policies that guide employee behavior.

But as we've already established, these categories represent only 50% of spend.  And the tools in place today have only been able to manage this subset of what's truly required for a business trip.

Employees venturing online to purchase services face utter chaos.  In the absence of a "one-stop-shop" for finding, buying and managing services, employees must

- Navigate across multiple websites and or processes that often require the use of different passwords, logins and workflows,

- Manage across multiple policies and payment types, and enter then re-enter contact and preference information.
- Update their calendar with reservation details and synchronize across multiple devices including cell phones, Blackberry's and PDAs.

And while finding, booking and managing services needlessly consume a massive amount of employee productivity for an organization, it also exacerbates the lack of control and visibility into T&E spend critical for procurement teams in the battle against rising costs.

*The Business Traveler's Dilemma*

**Today's current programs work fine for the basics….**



**But leaves the user to their own devices to manage all the rest of what they need**

Enter the next-generation of T&E management solutions. These on-line Web-based platform complete with a mobile-enabled component, let end users log-in once, view all the aspects they need to plan and manage a trip, creating a positive experience. From a bottom-line perspective, these platforms give procurement a significant boost in ensuring compliance and reducing costs.

The result is a winning combination for everyone.

**T&E Control + Flexibility = A Healthier Bottom Line**

T&E doesn't have to be headache anymore for sourcing and procurement teams.

The answer lies not in increasing the rigidity of travel policies. Instead, relief from the tug-of-war between procurement and those who need to travel comes with more flexible approach that:

- recognizes the entire end-to-end travel spend cycle
- leverages mobile innovation to the benefit of both stakeholders: procurement and the traveler
- maximizes choice without increasing the complexity of managing more choices

Advances in technology and business processes make it more realistic than ever to regain control – even while increasing the amount of flexibility you afford your travelers.