

New CWT Research Shows Increase in Travel Program Consolidation

Companies can save 20% of their total travel costs and enhance service and security.

PARIS (MARCH 28, 2007) – More and more multinational companies are consolidating their travel program. This enables them to reduce their total travel costs by 20 percent on average, according to a new research report published by the CWT Travel Management Institute of Carlson Wagonlit Travel (CWT), the world's second-largest travel management company. The global study also shows that nearly three-quarters of companies surveyed believe that consolidation has a positive impact on service and security.

The study, entitled *Global Horizons: Consolidating a Travel Program*, integrated a variety of research methods, including a survey of 120 companies around the world and client case studies. The research explores the benefits of consolidation, the prerequisites for realizing them and the keys to success. Consolidation is defined as the convergence of the components of a managed travel program at a regional or global level. In practice, this means leveraging a company's total travel volume and concentrating sourcing with an optimal number of suppliers, as well as standardizing travel policies, processes and tools.

According to Hubert Joly, president and chief executive officer, "Travel program consolidation is a key lever to effective travel management. This study shows that a large majority of companies are working with a primary travel agency to help them in the consolidation process. CWT has already helped 150 clients consolidate their travel program on a global level and another 180 clients to do so regionally. As a global leader, we have the expertise, the services and the tools needed to respond to this fast-growing trend."

Three Sources of Savings

When companies consolidate their travel program, they can save on average 20 percent of their total travel costs. These savings come from three principal sources, according to the survey findings: standardization of the travel policy and processes brings the greatest savings (12 percent), followed by concentrated sourcing with an optimal number of suppliers (7 percent), and standardized booking and fulfillment (1 percent).

1. Standardized travel policy and processes

Aligning travel policy rules across operational divisions and standardizing processes results in average savings of 12 percent and in some cases, up to 30 percent. In general, companies standardize four rules: the class or category of travel, advance booking, the need for alternative booking proposals and pre-trip approval.

2. Concentrated sourcing

a. Average savings of 7.5% on air sourcing

Airlines apply two main pricing principles that allow companies to realize savings. First, they offer additional, volume-based discounts when companies increase the business they allocate to them. Second, they offer lower prices and higher discounts on flights departing outside their home market. Compared to dominant carriers, challengers typically propose 20 percent lower fares and volume-based discounts that are three times greater.

b. Average savings of 6.5% on hotel sourcing

Consolidating hotel spend results in average savings of 6.5 percent and sometimes, up to 12 percent. Volume-based discounts are calculated on the number of room nights per property, instead of on the overall business granted to a hotel chain. These discounts vary according to the category of hotel and the local supply and demand dynamics.

3. Average savings of 12% on booking and fulfillment

By working with their travel management company to optimize the productivity of both their service configuration and transaction processes (e.g., replacing on-site services with consolidated business travel centers, increasing online adoption), companies can save 12 percent on transaction costs.

Enhanced Service and Security Through Consolidation

The positive impact of consolidation on service is *high* or *very high*, according to 76 percent of 107 companies from the survey sample. When a company has a standardized service level agreement with its travel management company and the same tools everywhere (e.g., a worldwide traveler portal or 24-hour emergency

assistance), service improves. By consolidating their sourcing, companies also enjoy a higher level of service from their suppliers, enabling smaller business units and subsidiaries to take advantage of such benefits as access to airport lounges and hotel upgrades they might not have on their own.

Consolidation also has a *high* or *very high* impact on security, according to 69 percent of the same surveyed sample. Having all reservations in a single data base enables companies to locate their travelers more quickly in an emergency and react accordingly.

Three prerequisites

Nearly 60 percent of the companies surveyed have appointed a global travel manager and another 10 percent intend to do so, reflecting the growing trend in travel program consolidation. This is significantly up from five to 10 years ago, when fewer than 20 percent of these companies had a global travel organization. Not all companies, however, have the prerequisites needed to benefit fully from consolidation.

1. Minimum spend

Companies benefit fully from consolidated air and hotel sourcing only when their spend reaches minimum thresholds in each category. Discounts are also higher as volume increases. In addition, the potential benefits of consolidation must cover the costs, which include a travel management team, consulting services for sourcing, the deployment of tools and change management initiatives.

2. A suitable traffic pattern

Companies need “demand overlap” to qualify for benefits at a regional or global level. In air sourcing, that means significant bi-directional traffic on common city pairs. In hotel sourcing, travelers from different locations must spend nights in the same cities.

3. An appropriate company culture

The more centralized a company is, the more likely it is to have a global travel manager and a consolidated travel program. If a company does not have a centralized organization, the pressure to cut costs is the principal driver behind consolidation.

Keys to success: a comprehensive approach and solid foundations

The case studies illustrate how companies consolidate the various components of their travel program. They know data consolidation, a standardized travel policy and measurable performance indicators are essential for an effective sourcing strategy and performance monitoring.

More than 80 percent of the companies surveyed work with a principal travel management company to help them consolidate their travel program, particularly with regard to data, sourcing, security, operations and change management. As a result, they tend to consolidate their travel management company as early as possible in the process, deploying a principal partner in key countries.

Support from senior management and the allocation of appropriate resources are also regarded as keys to success.

Finally, consolidation requires a long-term commitment. It typically takes three years to consolidate the main components of a travel program representing three-quarters of a company's total travel spend.

Research Methodology

Global Horizons: Consolidating a Travel Program is a research study conducted by the CWT Travel Management Institute from April to November 2006. The objective was to shed light on the benefits of consolidation and identify the strategies companies use to realize them. The research was carried out in two phases. First, nine case studies of CWT clients who have been involved in travel program consolidation for the last 10 years were made. CWT also analyzed air and hotel data from 30 clients of the CWT Solutions Group, the company's consulting division. In addition, CWT analyzed the data from its global transactions in 2005 and 2006. Finally, a survey of 120 companies in Europe, North America and the Asia-Pacific region, representing a variety of business sectors and varying in size and travel spend, was conducted. CWT also interviewed representatives from 10 airlines and hotel companies. The complete study is available on www.carlsonwagonlit.com.

About the CWT Travel Management Institute

The CWT Travel Management Institute was created in 2005 to conduct in-depth research into the key levers to effective travel management. Drawing on the global resources of Carlson Wagonlit Travel (CWT), the Institute provides a regular flow of business intelligence and best practices that help CWT clients around the world derive the greatest value from their travel program.

About Carlson Wagonlit Travel

Carlson Wagonlit Travel (CWT) is a global leader specializing in business travel management. Present in nearly 150 countries, CWT services companies of all sizes, as well as government institutions. By leveraging both the expertise of its people and leading-edge technology, CWT helps clients derive the greatest value from their travel program in terms of savings, service and security and provides best-in-class service and assistance to travelers. The Company has 22,000 employees worldwide. In 2006, CWT pro-forma sales volume for wholly owned operations and joint ventures totaled US\$20.5 billion. For more information, please visit www.carlsonwagonlit.ch.

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