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Purchasing uses cards to analyze spend, seize cost savings opportunities in travel

By Susan Avery
April 9, 2009

More and more often in this down economy, travel buyers are invited to meet with senior leadership at their companies. Management now routinely asks purchasing for updates on spending on travel services and compliance to travel policy and preferred suppliers. And travel buyers are responding by helping management strike the right balance between the company's need to travel to meet with customers and suppliers and its need to save money.

To do this, purchasing uses data generated by corporate (T&E or travel and entertainment) credit cards used by travelers to pay for airline tickets, hotel rooms, rental cars, restaurant meals other miscellaneous travel expenses. In addition to ensuring that travelers are in compliance, buyers also use the data to make sure the company is meeting required volumes needed to receive discounts negotiated in agreements with suppliers, and later during negotiations with suppliers to get better deals in years to come.

Mandating use of cards by employees to pay for travel expenses and using data this way is considered a best practice among travel buyers, suppliers and card providers.

Travel buyers have become "more strategic and are gaining more exposure at senior management levels," says Marcie Verdin, senior vice president, large market segment commercial products at MasterCard Worldwide in Purchase, N.Y. "They are heroes at their companies."

In her experience working with travel buyers, Verdin says companies today are looking to reduce spending on travel by 10% to 25%. "We see an increase in demand from buyers for enhanced data, and they want it to better manage the spend," she says.

"Companies are getting smarter about things like hotel folio (a breakdown of all expenses charged during a hotel stay), and the current economy is forcing them to re-evaluate what they are doing with travel."

For example, she says travel buyers are using spend data on travel generated by corporate cards to steer travelers away from upper tier to middle tier hotels in travel policies, as a way to reduce costs. They're also encouraging travelers book flights 21 days in advance, another source of significant savings for companies.

American Express conducted a survey of Fortune 500 companies on expense management best practices with Accenture earlier this year. The results show that smart companies recognize that employees need to learn that they can drive revenue and reduce costs by complying with company policy, and are taking steps to make it easier for employees to do so and holding them responsible when they don't.

Results also show that companies are delving deep into spend trends to uncover missed savings and holding suppliers more accountable. They also show that the downturn is an opportunity for companies to make changes to travel policy both now and in the long run.

"We are seeing companies put a real focus on value," says Jay Cary, vice president, interactive product management, global commercial card group at American Express Co., in New York. "Our clients are telling us that they are not going to cut travel altogether and when they do travel they are going to view it as an investment just like any other. They want to get maximum value from the dollars they spend on travel."

NEXT STEP. Card companies like MasterCard and issuers like U.S. Bank working with their customers now are introducing products and services or enhancing existing ones that allow travel buyers to manage spend data more efficiently.

MasterCard, for one, demonstrated a new reporting tool at the Association of Corporate Travel Executives (ACTE) annual meeting in 2008 that presents all this travel spend data in a dashboard format. Now, card issuers are starting to introduce the MasterCard Travel Dashboard to their customers.

Using data from card companies and other sources, the dashboard helps travel buyers analyze travel spending patterns. For instance, a buyer power index feature provides data on percentage of business a company does with an airline relative to its share of the market for certain city pairs. With this data, buyers can try to steer travelers to preferred carriers to ensure their company gets agreed upon discounts and later strike better deals with the suppliers during negotiations.

In addition to data on spending with air carriers, hotels and car rental companies now are providing buyers with more data that provide an accurate picture of what travelers are doing once they hit the road, says Kurt Adams, head of strategy and program management for Corporate Payment Systems at U.S. Bank in Minneapolis, Minn.

"Putting booked data with actual travel spend data against expense data is a powerful tool for driving compliance to travel policy."

And as buyers demand more of such integration, they will see more convergence along the travel value chain, says Adams. That is, there may be acquisitions or partnerships among suppliers that provide the services a traveler needs from the time he or she books a trip through when management approves expenses incurred during the trip to business intelligence derived from data generated by spending on the trip. It is a fragmented industry. Adams points to American Express Co.'s investment in expense management tool provider Concur as an example of such an alliance.

Kevin Tait, general manager, business development at BMO Spend & Payment Solutions in Toronto agrees. "The single biggest trend we've identified is a real move by travel managers to rigorously enforce travel policy," he says. "And they are asking travel management companies and card issuers to work closer together than ever and supplement that with information on travel spending they've never asked for before."

What It Means to Buyers:

- In an uncertain economy, travel purchasing takes on a more strategic role in the company. In this new role, buyers use data generated by corporate cards to gain visibility into the travel spend.
- With the data, purchasing can spot travelers who violate policy and seize opportunities for savings. Savings can come from tightening travel policy, and from negotiations with suppliers of travel services.
- As they continue to demand more and better data, travel buyers can expect to see more acquisitions and partnerships between providers of tools and services along the travel value chain.