

The Wire...from AirPlus

March 2011: Corporate Travel Negotiation Practices

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.



Corporations are expanding their ideas around what spend categories can be negotiated for corporate travel.

Travel management companies, airline, car rental companies and hotels... these are the traditional supplier categories governed by the travel manager or the now common procurement professional that negotiates and signs preferred contracts for travel. Such contracts solidify agreements between a corporation and key suppliers based on the concept that both parties are entering into a beneficial relationship that consists of guaranteed volume for the supplier and discounted or value-added rates for the buyer.

A recent survey by AirPlus International shows that among 100 responding travel buyers, negotiating preferred supplier contracts in traditional travel management categories—TMC, hotel, air and car rental—has saturated the corporate travel space. It also shows, however, that buyers approach contract terms differently per supplier category and that new spend categories are breaking into the managed travel market.

Among survey respondents, the hotel category showed the greatest saturation of preferred supplier contracts. A full 100 percent of respondents said their companies had such agreements in place. The hotel category also proved unique in that it is the only traditional travel

With what categories of travel suppliers does your company negotiate contracts?

Hotel	100%
Car Rental	95%
TMC	92%
Air	91%
Chauffeured Ground Transport	59%
Parking	43%
Dining	23%

What types of contracts do you negotiate for each category?

	Multiple-Year	Annual	6-Month	As Needed
TMC	85.5%	2.6%	3.9%	7.9%
Air	55%	26.3%	0%	10%
Hotel	11.9%	78.6%	2.4%	7.1%
Car Rental	63.4%	24.4%	0%	7.3%
Chauffeured	23.3%	13.7%	0%	4.9%
Dining	5.7%	1.8%	0%	15.7%
Parking	11.6%	5.8%	0%	26.1%

category with which buyers primarily negotiate on an annual basis. Nearly 79 percent of survey respondents said that they engage their hotel partners in negotiations every year—a process that is clearly driven by the traditional “hotel sourcing season” that starts in July and often runs through January the following year. While there has been backlash against this process in recent years—with many suppliers bemoaning the

resources required to submit an RFP for a potential spot in a hotel program—the survey shows it is not a process that the majority of travel managers are ready to abandon. A handful of buyers look to engage hotels in multi-year contracts, but given the recent volatility of the hotel market, multi-year deals could be a hard sell.

For the other traditional travel categories, there is a move toward multi-year contracts. In the TMC space, this has been de rigueur for years as it is a complex agreement that often must be measured year-over-year to optimize the relationship. Ninety-two percent of survey respondents said they have preferred relationships with TMC partners and 86 percent of respondents said they engage TMCs in multi-year contracts or renegotiate with them “as needed.”

Car rental contracts showed high numbers of multi-year contracts as well. Recent consolidation in the market may play some role in this in that companies have relatively few viable choices that offer extensive market coverage. In addition, the car rental category—particularly in the United States—has maintained very stable rates over the past several years, which gives buyers less reason to negotiate on an annual basis. A move to charge additional fees, such as no-show charges if the traveler does not cancel a reservation, could have triggered a more active RFP season for car rental last year, but moves to implement such charges fizzled.

The airline category has been extremely volatile in recent years, and negotiation patterns seem to reflect that activity. News of mergers and acquisitions consistently made headlines in 2009 and 2010. Bringing more change to the skies are the ongoing alliance swaps and joint venture agreements that have created some close ties between U.S. carriers and transatlantic partners. Amid all these changes, travel managers have to wonder if they are aligned with the right carriers from year to year. While 91 percent of total survey respondents said they have preferred contracts in place, just over half of total respondents negotiate multi-year contracts at this point, while 26 percent negotiate annually or as needed.

Also interesting are some of the emerging categories of managed travel spend. The AirPlus survey identified parking and dining as areas where travel managers were looking to extend their managed travel reach. Perhaps surprisingly, 43 percent of travel buyers said they negotiated preferred contracts for parking and for a true newcomer to the managed travel space,

What sources of data do you use for your company's travel supplier negotiations?

TMC	81.2%
Credit Card	75.3%
Expense Reports	65.9%
GDS	11.8%
Meetings Tools	9.4%
Third-Party Data Consolidator	10.6%
Other	5.9%

restaurants are now amenable to offering discounts to preferred corporate clients—and 23 percent of survey respondents said they were engaged on this level.

Data is certainly at the heart of negotiating and maintaining preferred supplier relationships. Given the variety of supplier categories sourced, it is logical that companies are using multiple sources of data to create a full view of their travel spend. More than 81 percent of survey respondents use their TMC data for negotiations, while more than 75 percent rely on credit card data. There is clearly overlap in responses here, with more companies utilizing card data to corroborate and/or clarify the booked data provided by the TMC. Credit card data can also provide a window into emerging categories of managed travel spend, which are unlikely to be booked through the TMC.

Indeed, as companies expand managed travel to new spend categories, their sources of data may need to expand in tandem. For those who do not have card programs, it may be time to take a hard look at the benefits of those sources of data to support negotiations with all suppliers.

Survey Methodology: For this issue of *The Wire*, AirPlus International surveyed 128 managed travel professionals from February 24 to March 14 .

AirPlus International, Inc.

225 Reinekers Lane, Suite 500

Alexandria, VA 22314 USA

T +1 (703) 373-0940

usa@airplus.com

www.airplus.com

www.airpluscommunity.com

www.facebook.com/airplusinternational

www.twitter.com/airplus