

# Perspectives on Travel & Expenses

## Time for change – how the corporate travel industry needs to get better



*Microsoft Travel has published a "manifesto" demanding a corporate travel technology revolution plus reform of the industry's financial structure. Here's what the manifesto says – and where we think they are both right and wrong.*

Microsoft Travel, the tech giant's travel management team, has published a 13-page Corporate Travel Innovation Manifesto. "The industry relies heavily on technology and processes that have not changed significantly in one, two or three decades," it begins. "This document is meant to stimulate conversation and action to push the way forward."

As part of that conversation, here is a summary of some of the manifesto's main points, along with our perspective at TravelpoolEurope, and what we think needs to happen next.

### **WHAT'S WRONG, AND WHY**

#### **Microsoft Travel says**

"Legacy technology systems, entrenched intermediaries and lack of transparency in commercial relationships have hampered innovation in corporate travel for more than 15 years. The consumer travel experience in terms of the process to book and execute and pay for a trip has outpaced the corporate experience, with easy access to rich content, streamlined tools and content tailored to the individual traveller. The inertia in the corporate spaces undermines the relevance of managing travel for today's business travellers. It not only holds them back from providing enhanced traveller services, but also holds them back from optimising fundamental objectives: duty of care, data security, employee productivity and savings."

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## **TravelpoolEurope says**

We completely agree. Perhaps the biggest problem managed travel programmes face today is inability to give travellers all content at the best price in a single tool. It greatly undermines employee confidence in the programme.

However, we have some sympathy for technology providers. First, it's very hard to make corporate travel tools as "sexy" as consumer ones because of the need to build strong compliance controls around the systems. Second, old technology is difficult to remove because it is so deeply connected to the global travel industry eco-system. It's not easy to make small improvements. A big bang is needed, where everything would change at once.

## **FROM COST REDUCTION TO TRAVELLER PRODUCTIVITY/HAPPINESS**

### **Microsoft Travel says**

"Mature companies no longer view travel as a cost centre where the main objective is year-over-year cost avoidance. These programmes have achieved near-optimal value with suppliers and shifted their focus to driving top-line revenue and achieving more holistic value. This ultimately boils down to the traveller experience and productivity to support the business. Attracting and retaining the best employees and keeping them productive, happy and healthy has a legitimate return on investment."

### **TravelpoolEurope says**

Employee productivity is very important, and so are recruitment and retention, and of course it is very important to take reasonable steps to minimise traveller stress, for example by easy use of mobile booking tools or making expense reimbursement as easy as possible.

However, it is hard to quantify traveller "friction", as it is sometimes called, or how changes to the travel programme would improve productivity. Today, traveller productivity isn't measured and therefore can't really be managed. On the other hand, direct travel costs can be measured and we believe avoidance of those costs remains the driving force for most travel programmes.

Another problem, of course, is that many measures which would maximise traveller comfort would also maximise cost to the company – letting employees always fly business class and stay in five-star hotels, to take an extreme example. Therefore, reducing cost while keeping travellers reasonably (but not necessarily 100 per cent) happy can be a very difficult balance to find.

One way to make travellers happier is to give them more flexibility where possible. One example would be setting city rate caps in policy. Travellers can choose any hotel they like so long as they continue to book through the authorised travel management company or booking tool and don't exceed the maximum rate allowed per night for that city.

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## **PAYMENT PROVIDERS ALSO NEED REFORM**

### **Microsoft Travel says**

"Payment platforms, with merchant fees, cross-border fees and transaction fees on the network, pare out percentages across multiple stakeholders in the payment chain. New technologies like blockchain demonstrate how mature companies may move forward to eliminate these baked-in payment costs, opting instead to forge direct payment relationships with trusted suppliers."

### **TravelpoolEurope says**

Blockchain is a very promising technology that looks set improve corporate payments, but the change won't happen overnight. And, unfortunately, updating old technology can only be part of the solution. The legal and financial infrastructure governing cards is unfit for purpose because it does not allow fully liberalised cross-border payments. To take a simple example, a bank in Denmark cannot issue cards to a corporate customer's employees in other countries and currencies. This out-of-date regulatory environment will need to be updated before we will see real improvements.

## **INTRODUCE TRAVELLER SUPER-PROFILES**

### **Microsoft Travel says**

"Digitising the traveller ... likely ends with the concept of a 'super' or 'smart' profile for every business traveller. This profile not only holds traditional travel data ... but also merges with human resources data and encompasses personal data like hobbies and recreational preferences. Plus, the profile should get smarter via a machine learning layer that consumes booking data, changes and cancellations as well as expense data that would show restaurant preferences and other spend patterns that, over time, reveal deeper insights about the traveller."

### **TravelpoolEurope says**

This sounds great in theory but sometimes you have to be careful what you wish for. Profiling of this kind would help suppliers deliver more personalised offers to travellers. But is that always desirable? Personalised offers could tempt travellers to deviate from policy. And do we want suppliers to know the customer is a business traveller, which might tempt them only to offer more expensive products (like flexible fares)?

The Microsoft manifesto says control of the profile "would largely fall to the individual traveller." But we believe their employers need control too in deciding how much information they want suppliers to see in case it affects the price that is offered. This Pandora's box needs careful examination before opening.

## **CHANGE THE ECONOMIC MODEL**

### **Microsoft Travel says**

"Acceptance of New Distribution Capability has developed only as it becomes clear to global distribution system and travel management company stakeholders that the new standard will not disintermediate established financial models, i.e. TMC back-end incentives for meeting GDS thresholds seem to be safe for the moment ... Mature corporates, however, may not be so quick to accept the de facto solution. With negotiated rates optimised in the current structures, the way to drive down costs and deepen the supplier relationships is to disrupt the structure."

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## **TravelpoolEurope says**

We agree. And we think the payment flows in corporate travel – especially GDSs charging airlines and hotels high fees to subsidise their incentives to TMCs – need changing for an even more fundamental reason. If we switch to the corporate client paying a GDS fee, just like it pays a fee to booking tool providers, then the corporate client becomes the GDS's key customer. And if that happens, then GDSs will be motivated to invest in providing the technology corporate clients really need and will finally be empowered to demand.



### **The TravelpoolEurope perspective – Let's connect the tech islands**

Although, inevitably, we don't agree with everything it says, we applaud the Microsoft Travel manifesto for getting the industry thinking about change. In addition to the problems identified by the manifesto, we want to point out one more.

One of the biggest challenges is that buyers have to rely on many different service providers: booking tools, risk management services, payment issuers and so on, and usually more than one of each. Today, every provider operates its own technology which makes integrating them into a seamless travel programme eco-system extremely difficult. We worry that many of the new tech companies coming into corporate travel will only add more islands that are hard to connect. Finding a more agile technology to join all these islands seamlessly to each other should be a top priority for a corporate travel industry looking to collaborate more closely.