

*Improving travel program management  
through strategic KPIs and meaningful  
savings measurements*

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Travel managers know good data is crucial for their work. But which data do they need? Are they combining the appropriate measurements for true performance management, building a full and actionable picture of what is going on in their travel program? And do they have the information which tells them whether the travel program is being managed in line with their organization's overriding strategic objectives?

This white paper argues that travel managers can improve the performance of their travel programs by creating strategic key performance indicators (KPIs) which measure how successfully they are meeting corporate objectives, provides a sample set of strategic KPIs and sets forth clear guidelines for building a strategic KPI program.

## 1. Strategic KPIs

*Strategic KPIs* measure how well a corporate program, such as the travel program, is meeting core strategic goals, for example cost containment, sustainability, process efficiency or revenue generation.

### ***Strategic travel KPIs***

The optimum number of strategic KPIs for a corporate travel program is eight to 12, balancing comprehensiveness with avoidance of over-complexity. An example of a balanced selection of KPIs appears on page 4.



Strategic travel program KPIs

KPI	Relevance	Definition
Travel management services coverage	How much of the total T&E spend is influenced by travel management?	$\frac{\text{Managed travel spend}}{\text{Total T\&E spend}}$
Virtual meeting index	What is the share of meetings using virtual meeting technology (i.e., videoconferencing) in comparison to all internal meetings?	$\frac{\text{Number of virtual meetings}}{\text{Number of internal trips} + \text{Number of virtual meetings}}$
Value of managed travel	How much have we saved by sourcing and steering effectively?	$\text{Sum} \left( \begin{array}{c} \text{Savings against market index} \\ + \\ \text{Cash discount} \end{array} \right) \text{ per category}$
Travel expense productivity	How does the change in our travel spend compare to the change in business revenue over time?	$\frac{\left( \frac{\text{Sales turnover} + \text{New orders}}{2} \right)}{\text{Total T\&E spend}}$
Travel intensity	How much are our employees traveling to conduct business?	$\frac{\text{Sum of distance traveled}}{\left( \frac{\text{Sales turnover} + \text{New orders}}{2} \right)}$
Policy compliance	How well do travelers adhere to key policy components?	Compliance levels per category (i.e., air, hotel, etc.) weighted by category spend as share of total
Change in total travel cost	How much is travel management contributing to a bottom-line impact in operating expenses?	$\left( \frac{\text{Average total cost per trip in previous period}}{\text{Average total cost per trip in current period}} \right) \times \text{Current number of trips}$
Climate impact of business travel transport reduction	How environmentally sustainable are our business travel activities?	$\frac{\left( \frac{\text{Current climate impact (air + rail + rental car)}}{\text{Previous climate impact (air + rail + rental car)}} \right)}{\text{Previous climate impact (air + rail + rental car)}}$
Share of corporate credit card volume	How much of the total travel and related spend can be tracked?	$\frac{\text{Volume on corporate credit card}}{\text{Total T\&E spend}}$
Travel agency performance index	How well does the travel agency perform in terms of cost, service delivery and strategic support?	$\frac{(\text{Agency cost productivity index} + \text{Traveler satisfaction index} + \text{Supplier evaluation index})}{3}$

**Value of strategic KPIs**

- *Education* – allow travel managers and other relevant managers to gain a deeper understanding of the purpose of the travel program
- *Decisive intervention* – managers can intervene quickly with remedies if target ranges are not being met
- *Communication* – effective tools for convincing departments or budget-holders to change their behavior
- *Career progression* – provide a showcase for the issues travel managers work on and prove they are capable of high-level strategic thinking

**Tips on building a strategic KPI program****Step 1** – Take it seriously

It is a straightforward task for companies with mature travel programs but it does take time and manpower.

**Step 2** – Map out your corporate strategic goals

Simplified examples include: cost containment, sustainability, duty of care and governance/compliance, employee productivity and employee satisfaction.

**Step 3** – Map your travel goals to your corporate strategic goals

E.g., cost containment – reduced travel purchasing costs, reduced travel processing costs, reduced trip volumes (travel program goals: savings/cost avoidance, demand management, negotiation/sourcing)

**Step 4** – Define the appropriate KPIs to measure your progress

Then create a matrix to grade the relevance of each KPI to each travel goal.

**Step 5** – Identify master data sources

For each KPI, map suggested data sources, frequency of reporting, who has responsibility and the process owner.

**Step 6** – Act on the data

Investigate and take action on results which fall outside anticipated KPI ranges.

## 2. Meaningful savings measurement

Since cost-containment is a critical corporate goal for most businesses, some of their strategic travel KPIs will also be savings-related. However, unless savings are given a real-world comparative context, they can prove meaningless and possibly misleading.

**The procurement perspective**

*Change in price* – cost saving based on price comparison with previous year  
*Change in price compared to change in market index* – cost saving/avoidance based on price comparison with index, e.g., volume variance (change in number of bookings made) and market index (benchmark against average price achieved by other companies)

*Sourcing performance metrics* – cost saving/avoidance achieved by changing requirements, using e-auctions, etc.

**Beyond procurement**

Travel program savings measurements go beyond the traditional procurement context above. Key savings/cost avoidance measurements include:

*Behavioral savings* – equipping travelers with tools and motivation to “do the right thing”

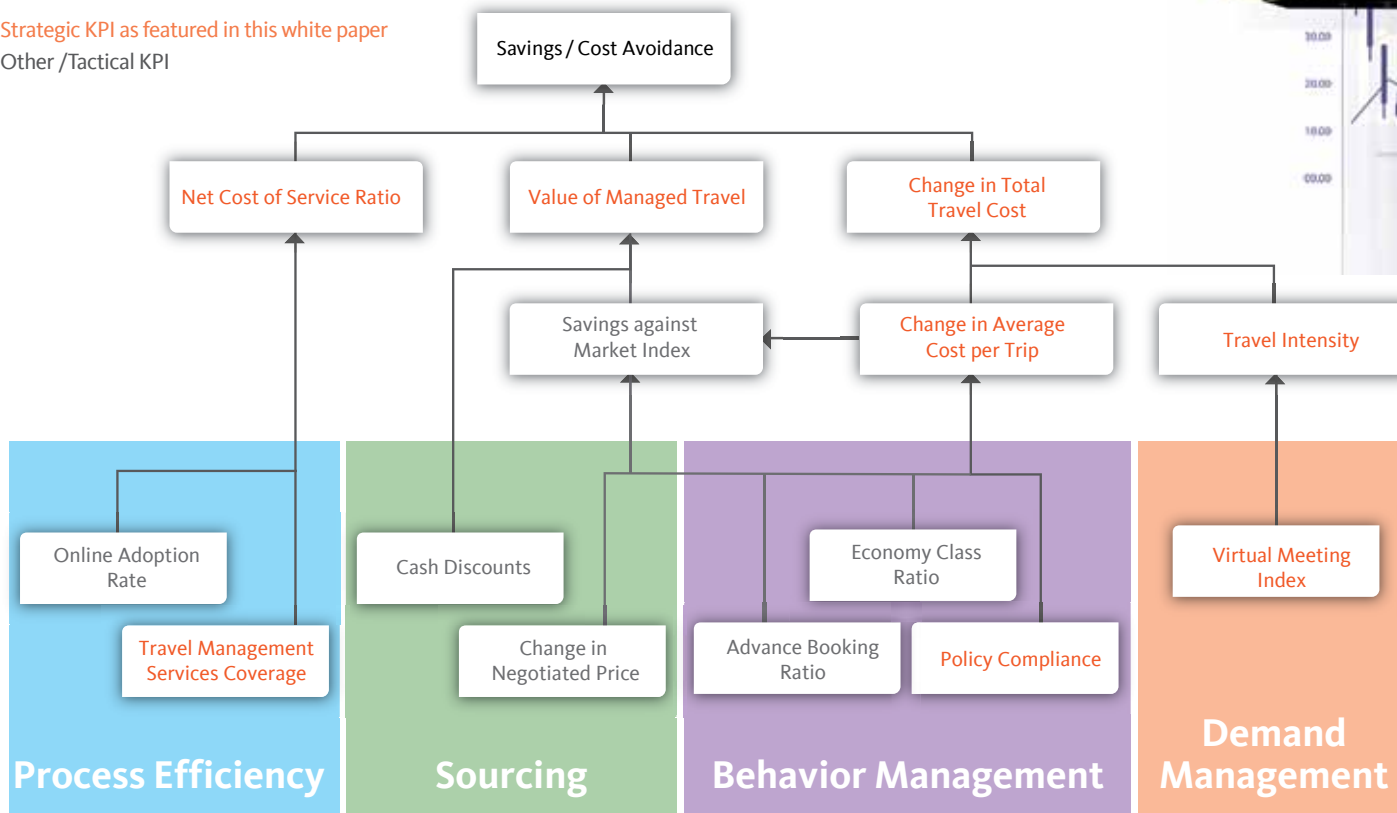
*Demand management* – e.g, using video-conferencing and other travel alternatives

**What's your savings hierarchy?**

Many of the strategic KPIs discussed in this paper are directly or indirectly relevant to achieving savings. They include everything from online adoption rate to usage of virtual meetings to policy compliance. To tie them together, it is useful to map them out as a hierarchy.

KPI hierarchy: Savings

Strategic KPI as featured in this white paper  
Other /Tactical KPI



### 3. Sourcing, combining and managing data

#### *Sourcing data*

A survey of Association of Corporate Travel Executives buyer members carried out for this white paper on behalf of Advito found the most popular sources for data are corporate card provider (86 percent), travel management company (82 percent), travel expense management system (59 percent) and accounts payable (50 percent).

None of these sources is perfect in isolation; best practice is to combine several data sources for the fullest possible picture.

#### *Combining data*

Travel managers often combine data sources through a data warehouse. The three basic options for creating a data warehouse are:

*In-house* – can be slow and costly but guaranteed to be compliant with internal processes

*Outsourced* – built by subject matter experts who are fast to implement and well aware of the barriers to accurate, consolidated data

*Hybrid* – third party builds and hosts the data warehouse but it is controlled in-house; works well if data team has a travel analyst

Each option has its advantages and drawbacks – the “best” choice depends on an individual company’s requirements and constraints.

#### *Analyzing data*

Many companies conclude they need specialized consultants with powerful analytical tools to perform or assist with this task.

### 4. Benchmarking

Advito believes companies would benefit greatly from measuring and then benchmarking an agreed standard set of strategic KPIs, such as those outlined in this white paper.



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Best practice is to combine several data sources for the fullest possible picture

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### *From measurement to management*

There is a well-known business dictum that what gets measured, gets managed. Given the complexity of modern commerce, leadership based largely on “gut feel” has no chance of success.

However, there are also dangers inherent in this principle. If companies make the wrong choices about what to measure, they will form a misleading picture of their performance. And there is also the risk of complacency: the management process starts, rather than finishes, with measurement. Data does not become useful unless it is acted upon to make practical improvements.

#### ***Performance management for corporate travel***

Travel managers know good data is crucial for their work. But which data do they need? Are they combining the appropriate measurements for true performance management, building a full and actionable picture of what is going on in their travel program? And do they have the information which tells them whether the travel program is being managed in line with their organization’s overriding strategic objectives?

In many cases the answer is no. A good example examined in this white paper is the measurement of savings. Corporations often bring the wrong data sets together to make comparisons which lack important context. As a result, travel managers gain no meaningful understanding of whether the savings they have achieved match or under-perform their true cost-reduction potential and benefit for the corporation.

#### ***The crucial role of strategic KPIs***

While most travel managers use metrics to manage their various program components and initiatives, their measurements are often tactical in nature—and sometimes misleading as indicators of program effectiveness. Frequently used metrics tend to monitor isolated silos of data such as missed savings opportunities, the average time needed for a travel management company to answer the phone or average daily hotel rate in the top ten cities. Corporations frequently fail to analyze their travel data holistically, or to make the essential connection that is the key to performance management: linking what they measure to overall corporate objectives.

Advito believes businesses should create a small set (around eight to 12) of strategic key performance indicators (KPIs) which gauge the overall health and effectiveness of a travel program. These strategic KPIs will allow the travel manager to work smartly and quickly with senior management to make appropriate decisions to meet corporate needs. Rather than expecting stakeholders without travel background (usually a majority in any given corporation) to learn travel management jargon and idiosyncrasies, it is up to travel management to translate the value of a managed program into the language of the corporation. This is what strategic KPIs do.

***Start collecting your strategic KPIs here***

Not many companies have strategic KPIs in place today. However, that could, and arguably should, change. Getting this project underway does not have to entail an inordinate amount of work, especially for companies with high levels of travel program compliance. This white paper is intended to act as a starting point for travel performance management through establishing strategic KPIs and improving techniques for measuring savings – which is itself a strategic KPI, given that savings/cost-containment is a key goal for nearly all businesses.

We also believe strategic KPIs are an area where travel managers can benefit enormously by benchmarking with each other. We therefore hope this white paper will provide the launch pad for an industry-wide effort to establish a set of KPIs that businesses can use not only to track their performance internally but to understand where they sit in comparison with their peers.

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KPIs are an area where travel managers can benefit enormously by benchmarking with each other

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**KPIs and SLAs**  
**What's the difference?**

It can be easy to blur the boundaries between KPIs and Service Level Agreements (SLAs)—perhaps because SLAs are more familiar territory for managed travel programs. But it is important to understand the difference, particularly when it comes to the strategic KPIs under discussion in this white paper.

An SLA is a formal negotiated agreement between a client and a service provider which defines parameters and responsibilities for the delivery of a service. Adherence to the SLA is judged according to measurements that quantify the performance of the supplier against those parameters. These measurements are specific, operational and/or tactical. They may be considered KPIs for the particular agreement in question, but they are not strategic KPIs for the overall travel program and its link to strategic objectives.

However, suppliers admittedly have an important role to play in helping companies achieve program and, in turn, corporate objectives. Once you establish your strategic travel program KPIs, you should review relevant SLAs to be sure that they support those KPIs.

### *What is a strategic KPI?*

Key performance indicators measure operational and management performance against a stated set of objectives. These objectives should be SMART: Specific, Measurable, Achievable, Realistic and Time-limited. Although all KPIs are, by definition, important, strategic KPIs are the most fundamental of all. They measure how well a program, such as the travel program, is performing in meeting core strategic corporate goals, such as revenue generation, cost containment, governance or sustainability. Simply put, they are the critical few metrics that link the travel program goals to corporate objectives.

#### ***What is wrong with tactical KPIs?***

Nothing. Tactical KPIs are any quantifiable measurements that can be tracked and evaluated, so they are very important. However, they are inadequate to tell the whole story. To take a simple example, a useful tactical KPI is to know how much cash discount is being paid by suppliers. However, if an airline is paying a large discount based on the most expensive fare buckets, then the price reduction is less impressive. The tactical rebate KPI therefore needs to contribute to a more complex strategic savings KPI to enable fuller understanding – and action.

#### ***How many strategic KPIs?***

We believe eight to 12 is the optimum range. A smaller number may fail to provide a broad enough perspective of the travel program. A larger number risks leaving managers adrift in a sea of data, unsure where and what to prioritize.

#### ***The value of strategic KPIs***

- ***Education*** – The process of creating strategic KPIs allows travel managers and other relevant managers to gain a deeper understanding of the purpose of the travel program. It ensures they are aligning the program with corporate goals, reviews the program's data sources and starts a dialogue with other internal departments (such as finance or sustainability).
- ***Decisive intervention*** – By creating target ranges for each strategic KPI, managers can identify at a glance whether a strategic goal is being met and intervene quickly with remedies if it is not. Intervention is not the sole province of the travel manager; actions may need to be owned or implemented by other stakeholders.
- ***Communication*** – Strategic KPIs are very effective tools for convincing departments or budget-holders to change their behavior, especially if they are shown to be under-performing against other units.
- ***Career progression*** – Strategic KPIs make travel managers look good. Not only do they provide a showcase for the wide range of issues travel managers work on, using strategic KPIs also proves they are capable of high-level strategic thinking to drive forward company objectives.

### Scorecards

Readers trained in business management will be aware of a strong link between strategic KPIS and the concept of scorecards. Scorecards identify a small number of financial and non-financial measurements and attach targets to them to analyze whether current performance is meeting expectations. In consequence, managers are able to focus attention on those areas where targets are not being hit.

As will be seen later, the strategic KPIS proposed by Advito would fit neatly into a scorecard, with some of the KPIS measuring financial objectives, but others measuring a small range of non-financial objectives, such as governance and sustainability.

### Examples of strategic KPIS

Advito has identified a sample set of generic strategic travel program KPIS that we believe would be useful for many organizations to consider as they support various corporate goals (see Figure 1).

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Scorecards identify a small number of financial and non-financial measurements and attach targets to them to analyze whether current performance is meeting expectations

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### Case study

## Why EADS has created strategic travel KPIS

EADS owns the commercial aircraft manufacturer Airbus and also makes military transport and fighter aircraft, defense electronics and security systems and space systems.

*“We rely on tactical KPIS as baseline measurements of performance, but more and more we are combining them to produce strategic KPIS which measure the management of our business. They help us to identify issues such as why our spend has risen or if we are missing opportunities to improve our savings.”*

*“Strategic KPIS are not a collection of numbers. They are a value-adding set of tools which enable us to take decisions. It’s what lies behind the statistics in trending and more qualitative analysis of statistics that helps us identify areas of concern and what we have to deal with. Without strategic KPIS, we cannot be relevant to stakeholders and take relevant actions.”*

**James Westgarth**

Head of Extended Travel Enterprise, EADS

Figure 1 – Strategic travel program KPIS

KPI	Relevance	Definition
Travel management services coverage	How much of the total T&E spend is influenced by travel management?	$\frac{\text{Managed travel spend}}{\text{Total T\&E spend}}$
Virtual meeting index	What is the share of meetings using virtual meeting technology (i.e., videoconferencing) in comparison to all internal meetings?	$\frac{\text{Number of virtual meetings}}{\text{Number of internal trips} + \text{Number of virtual meetings}}$
Value of managed travel	How much have we saved by sourcing and steering effectively?	$\text{Sum} \left( \begin{array}{c} \text{Savings against market index} \\ + \\ \text{Cash discount} \end{array} \right) \text{ per category}$
Travel expense productivity	How does the change in our travel spend compare to the change in business revenue over time?	$\frac{\left( \frac{\text{Sales turnover} + \text{New orders}}{2} \right)}{\text{Total T\&E spend}}$
Travel intensity	How much are our employees traveling to conduct business?	$\frac{\text{Sum of distance traveled}}{\left( \frac{\text{Sales turnover} + \text{New orders}}{2} \right)}$
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Climate impact of business travel transport reduction	How environmentally sustainable are our business travel activities?	$\frac{\left( \frac{\text{Current climate impact (air + rail + rental car)}}{\text{Previous climate impact (air + rail + rental car)}} \right)}{\text{Previous climate impact (air + rail + rental car)}}$
Share of corporate credit card volume	How much of the total travel and related spend can be tracked?	$\frac{\text{Volume on corporate credit card}}{\text{Total T\&E spend}}$
Travel agency performance index	How well does the travel agency perform in terms of cost, service delivery and strategic support?	$\frac{(\text{Agency cost productivity index} + \text{Traveler satisfaction index} + \text{Supplier evaluation index})}{3}$

***A broad range***

This selection of KPIs addresses a broad range of corporate goals, both financial and non-financial. There are also major variations between them in their complexity, in terms of:

- How much data they combine
- The extent to which they cover different aspects of the corporate travel program and the company's wider activities

The travel expense productivity KPI, discussed in more depth below, incorporates major corporate measurements from beyond travel, including incremental sales and turnover.

At the other end of the scale, share of corporate card volume may initially look narrow and relatively trivial, but a good case can be made for it too being a critical strategic KPI. The corporate card KPI assesses what percentage of employees have corporate cards and, more importantly, how much of the company's total travel & entertainment (T&E) spend is channeled through the card. The reason this is important is that most corporations have limited means to track spend by employees while on a trip other than through their card transactions. Card data also helps verify pre-travel data gained from trip reservations.

Maximizing spend through the card is therefore essential for meeting important goals such as cost-containment, spend maximization through negotiation, and compliance.



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The travel expense productivity KPI incorporates major corporate measurements from beyond travel, including incremental sales and turnover

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## Which strategic KPIS are in use today?

An April 2010 survey of Association of Corporate Travel Executives (ACTE) buyer members for this white paper asked participants on behalf of Advito whether they currently use a range of KPIS. It also asked those who did not have the KPIS in their programs if they would like to introduce them.

The figures must be treated with great caution because there were only 21 answers, but the group was well-qualified and relatively homogeneous, being overwhelmingly comprised of U.S.-based multinational companies with mature travel programs.

The responses suggest that this group of travel managers use a large variety of KPIS, although unsurprisingly it is the more traditional, easily measurable indicators which predominate, especially those related to spend and compliance. However, the figures also herald significant potential for growth in two demand management-related KPIS: virtual meetings and travel expenses related to incremental turnover.

Figure 2 – KPIS currently in use among ACTE corporate members

Does your travel program currently use, or is planning to use, any of the following Key Performance Indicators (KPIS)?			
KPI	Yes, currently used	Not used, but would like to implement	Not used and not planning to implement
Average change in fare/rate	85.0%	5.0%	10.0%
Savings / Cost avoidance	81.8%	13.6%	4.5%
Total travel spend	95.5%	4.5%	0.0%
Online adoption	80.0%	10.0%	10.0%
Operational efficiencies/process costs	78.9%	15.8%	5.3%
TMC fees	85.0%	10.0%	5.0%
Travel expenses in relation to incremental business revenue/turnover	30.0%	30.0%	40.0%
Spend under travel management control in relation to total travel category spend	57.9%	26.3%	15.8%
CO2 emissions caused by business travel	66.7%	28.6%	4.8%
Miles or hours traveled per year as a proportion of corporate revenues	21.1%	15.8%	63.2%
Volume on corporate travel card versus total travel spend	66.7%	9.5%	23.8%
Cost of travel department in relation to travel spend	26.3%	15.8%	57.9%
Travel agency performance level	86.4%	9.1%	4.5%
Policy compliance	85.7%	9.5%	4.8%
Usage of virtual meetings	42.1%	42.1%	15.8%
Economy class ratio	76.2%	4.8%	19.0%
Advance booking ratio	81.0%	19.0%	0.0%
Customer (traveler) satisfaction	77.3%	13.6%	9.1%

Source: Survey of corporate members, Association of Corporate Travel Executives, April 2010

**A detailed look at two strategic KPIS**

We highlight two KPIS here:

- **Travel management services coverage**  
A good example of how a strategic KPI can have relevance to multiple high-level corporate goals
- **Travel expense productivity**  
Arguably the most strategic – and also most contentious – of all travel KPIS

**1. Travel management services coverage**

This is the volume of travel and entertainment (T&E)-related spend managed or influenced through the travel department. Like the card coverage KPI discussed above, it is critical because spend which is not managed cannot be controlled.

In contrast to other procurement categories in which “managed spend” refers to spend with preferred suppliers, such a definition would be counterproductive for travel, as the program strategy might be to combine preferred supplier programs with lower spot prices (e.g., best available rates or restricted promotional air fares). With policy compliance often “outsourced” to the travel management company and configured within the online booking tool, Advito finds that spend using the designated booking channels in which the spend can be influenced to fit the corporate preferences is a good proxy.

Ability to control spend relates directly to key corporate goals in more ways than may at first be apparent:

- **Cost containment/competitive procurement** – Only spend that is identified and managed can be included in supplier negotiations. Furthermore, unidentified spend is often non-compliant, meaning it is usually more expensive than that which is channeled towards preferred suppliers.
- **Security** – Uncontrolled travelers cannot be tracked, making it very difficult for a company to fulfill its duty of care obligations. Risk management is a strategic priority for many businesses.
- **Governance** – Ensuring travelers are complying with accounting and other legal obligations is increasingly crucial.
- **Efficient management of overhead resources** – The higher the proportion of spend managed by those running the travel program, the greater their productivity.

**Measurement difficulties**

Travel management services coverage is a difficult KPI to measure because it is difficult to ascertain how much T&E spend is unmanaged. Expenditure booked through the company’s retained TMC and/or transacted through a corporate card can be regarded as managed but much of the rest consists of a mixture of “known unknowns” and “unknown unknowns.”

A good place to start is the expense management system. If it is fully automated, then capturing the spend should be relatively easy—provided that expense categories are well defined and aligned across regions and business units. If the expense management system is semi-automated or manual (an Excel spreadsheet), finding the numbers will be much harder. The next place to look is the accounting system, although T&E expenditure is not always coded as “travel.” If it is a meeting, for example, it may be coded as “marketing.”

This sort of forensic work is potentially very time-consuming, so it may be necessary to make a few sample investigations (e.g., one or two departments) and then make educated assumptions for the rest of the organization.

Obtaining a combined managed and unmanaged T&E spend total is, therefore, always going to be an inexact science. However, it can still be accurate enough for the purposes of this strategic KPI, which is to provide an insight into whether the organization is controlling its spend to an acceptable level. The fact that 58 percent of respondents to the ACTE survey said they deploy this KPI shows it can be done.

## 2. Travel expense productivity

### *Return on investment in travel – does it make sense?*

The last couple of years have seen increased debate about whether companies can calculate a return on the investment (ROI) they make in travel. This has resulted from growing pressure on businesses to justify the significant cost—both financial and environmental—of their travel programs.

Two white papers published last year studied the U.S. business travel market and attempted to establish a ratio between the amount corporate America spends on travel and the incremental profit this expenditure achieves.<sup>1</sup> The studies sought to build this ratio through econometric measurements analyzing the relationship between travel spend, overall business expenditure, revenue and profitability.

Opinion among travel management professionals is divided over whether the studies proved a quantifiable link between travel investment and profitability at a national level. Certainly, quantification could not be made by a single corporation for its annual travel budget, still less on a trip-by-trip basis.

One of the many challenges is that travel is not, in financial terms, an investment, since—put simply—it cannot be stated as an asset on a balance sheet. Taking a flight from London to Beijing does not of itself generate revenue, but is simply a cost of business. And even if a trip closes a sale, it is difficult to isolate that single trip as the sole investment which generated the extra business. As the travel consultant Scott Gillespie has written, there are no measurable outputs “robust enough to apply to most trips or meetings, and sturdy enough to be measured repeatedly and accurately.”<sup>2</sup>

## ROI

### An appropriate KPI for meetings management?

Even if ROI does not convince as a concept for transient travel, could it be a useful KPI for meetings management? The phrase is used much more often in this context, although it remains controversial for meetings too.

In theory, ROI is appropriate for meetings because a meeting is a discrete event with not only an identifiable investment program but also identifiable desired outcomes. Examples include whether those attending a product launch for a new car buy the vehicle in greater numbers than those who do not, or whether sales people working towards a travel incentive improve their sales figures.

Of course, only a small number of meetings can produce directly quantifiable financial returns of this sort. However, the effectiveness of meetings can be measured in other ways – such as the improvement in delegates’ product knowledge, or pre- and post-event surveys of their satisfaction with the corporation.

<sup>1</sup> *Can we afford not to invest in business travel?*, IHS Global Insight and National Business Travel Association, Sept. 15, 2009; *Return on Investment of U.S. Business Travel*, Oxford Economics and U.S. Travel Association, September 2009

<sup>2</sup> *ROI on travel @ meetings – why bother?*, Gillespie’s Guide to Travel+Procurement (<http://gillespie411.wordpress.com>), Feb. 2, 2010

***Travel expense productivity – an indicator, not an absolute***

The idea of an ROI for business travel is highly alluring because it would be the ultimate strategic travel KPI. If one concurs, however, that it is impracticable, then travel expense productivity may be the next best thing. This KPI tracks change in travel spend against change in business revenue (sales turnover and new orders) over time to provide a rough index of whether a corporation's (or budget holder's) expenditure on travel is at an appropriate level to the revenue the company generates. As such, the KPI goes beyond the typical average price perspective and includes the number of trips taken—an important prerequisite to capture the impact of demand and behavior management initiatives.

In particular, if this KPI tracks within a consistent percentage range either across time or across different business units, then a sudden move outside that range can effectively raise a red flag. If the ratio falls dramatically, it may indicate travel has been cut too much and the company is failing to build relationships and pursue new sales opportunities. If the ratio rises sharply beyond the normal range, then it could create discussion over whether certain projects or sales prospects justify the cost of pursuing them.

Clearly, there can be many reasons which would explain a marked change in the travel expense productivity KPI, but at least constant monitoring of this indicator draws attention to the situation and prompts an investigation into the underlying reasons. It is therefore ideal for challenging budget holders, and can prove a useful tool when a company plans new projects. In particular, senior managers often find themselves under pressure from potentially conflicting strategic objectives, perhaps to contain costs on the one hand but to globalize their business and increase revenues on the other. This KPI can help them assess whether they have the balance right. Although this KPI is highly sophisticated, 30 percent of the travel managers in the ACTE survey said they already use it and another 30 percent would like to deploy it.

***Tips on building a strategic KPI program*****Step 1 – Take it seriously**

As with any worthwhile corporate project, a strategic KPI program cannot be built in an afternoon, nor copied and pasted from another company (or this white paper, for that matter!). It will require time and effort, a significant level of stakeholder participation, and an appetite for sweating data at a more effective level. Consider also the maturity of your travel program. Companies lacking a well-observed travel policy and, above all, reliable data sources (such as a consolidated corporate card program) are likely to find this task beyond them. Those with a mature program should find it relatively easy to create strategic KPIs and, indeed, are already likely to have some.

**Step 2 – Map out your corporate strategic goals**

Create a list of your company's core strategic goals. A grossly simplified example of such a list could be:

- Cost containment
- Sustainability
- Duty of care
- Governance/compliance
- Traveler (or employee) productivity and satisfaction

**Step 3** – Map out your travel program goals

Map out which aspects of your travel program relate to your corporate strategic goals:

- *Cost containment* – reduced travel purchasing costs, reduced travel processing costs, reduced trip volumes
  - **Travel program goals: savings/cost avoidance, demand management, negotiation/sourcing**
- *Sustainability* – reduced CO<sub>2</sub> emissions caused by business travel
  - **Travel program goals: sustainability, demand management**
- *Duty of care* – ensuring traveler security, safety and well-being
  - **Travel program goals: security/duty of care, traveler satisfaction**
- *Governance/compliance* – e.g., Sarbanes-Oxley, codes of compliance for pharmaceuticals industry meetings
  - **Travel program goal: compliance**

Even though many corporations share top-level goals, the ranking of their importance to the company and their precise definition vary significantly. It is therefore crucial, as part of this effort, to understand the corporation's goal hierarchy and senior management expectations for the present and foreseeable future. Remember also that even in public companies some goals are not stated formally but are applied as part of a company-wide initiative (e.g., an increased focus on sustainability) or emerging concepts (e.g., a focus on innovation by promoting collaboration).

### Case study

## The EADS scorecard

EADS has created a scorecard for travel that breaks down into the following four categories:

- *Demand management* – Includes number of video-conferencing sessions per €1,000 of travel; and utilization of video-conferencing facilities
- *Tracking spend versus budget* – Weekly measurement for each cost-center
- *Process effectiveness* – Wide range of KPIs, such as online adoption, covering entire process from booking to expense reclamation
- *Supplier performance and value-add* – Includes traveler satisfaction, processing of expense reports within a given time, etc.

EADS is considering adding a fifth element to its scorecard in the form of traveler well-being and corporate social responsibility, but is struggling to find the appropriate KPIs. "I would like to see metrics introduced that measure how well we are looking after the environment," says head of extended travel enterprise James Westgarth.

**Step 4** – Define the appropriate KPIs to measure your progress

Once you understand how your travel program goals relate to your corporate goals, you can create strategic KPIs to measure how well you are performing in achieving each of them. Make an inventory of relevant metrics you use already as part of managing the program on a day-to-day basis and identify gaps. Consider applying some of the sample strategic KPIs provided in figure 1 to get started.

As a demonstration of how that exercise might get underway, we have grouped the sample KPIs by their primary generic travel program goals (Figure 3). Because many KPIs support several goals, creating a matrix that maps KPIs and program goals can also be helpful to manage complexity.

**Figure 3** – KPIS grouped by travel program goal

Goal	KPI
Savings/ Cost Avoidance	Policy compliance Travel management services coverage Value of managed travel Change in total travel cost
Demand Management	Climate impact of business travel transport reduction Travel expense productivity Travel intensity Virtual meeting index Change in total travel cost
Negotiation/ Sourcing	Share of corporate credit card volume Travel management services coverage Value of managed travel
Compliance/ Behavior Management	Policy compliance Travel management services coverage Travel expense productivity Value of managed travel
Sustainability	Climate impact of business travel transport reduction Virtual meeting index
Security/ Duty of Care	Travel management services coverage Travel intensity
Traveler Satisfaction	Travel agency performance index

As you can see from the selection, strategic KPIS are not absolute numbers. They are metrics related to a given baseline in order to be meaningful; this relationship could be, for instance, either change over time (e.g., current period against previous period), change against a benchmark (e.g., change in price against change in market index) or a travel-specific measure against a broader company measure (e.g., travel expense productivity).

Each strategic KPI is typically supported by several simpler, tactical KPIS. These are often metrics that you already use and have listed in the inventory.

While the strategic KPIS will be used for purposes such as executive scorecard reviews, the tactical KPIS build up more of the granular insight a travel manager needs for day-to-day control and quick performance dashboards.

To map out which tactical KPI is linked to which strategic KPI is a useful exercise to document the cause-and-effect of how a certain initiative (e.g., a drive to make travelers book earlier as measured by the tactical KPI “advanced booking ratio”) can influence other tactical KPIS (e.g., “average segment fare”) which ultimately link to a strategic KPI (e.g., “change in total cost of travel”).

Not all tactical KPIS have connections with strategic KPIS which are therefore ultimately linked to corporate objectives. But even if a measurement cannot be linked, it does not mean it should be abandoned. It may be very relevant to what you are doing but cannot be used as proof of progress against specific objectives.

**Step 5 – Identify master data sources**

Even the best-defined and most carefully considered KPIS are useless if they cannot be supported by quality data. Most corporations use a variety of data sources to manage their travel spend—all with a different scope, level of detail, reliability, etc. (Figure 4). While consolidated data is the “holy grail” (see Section 3), for the purpose of tracking KPIS it is initially just as important to identify which data point in the formula for each KPI should come from which data source.

Be prepared to look in some unfamiliar areas for data sources. For example, the EADS travel team is working with the group’s facilities management department to obtain data on video-conferencing for its demand management KPIS.

For more on sourcing data, see page 29.

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Even the best-defined and most carefully considered KPIS are useless if they cannot be supported by quality data

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**Figure 4 – KPI data sources (sample for illustration only)**

KPI	Suggested data source
Travel management services coverage	Online booking tool (OBT) Travel management company (TMC) Financial system
Virtual meeting index	Expense management system Facilities/IT
Value of managed travel	Procurement tool External studies, market index reports
Travel expense productivity	Expense management system Enterprise resource planning tool (ERP)
Travel intensity	Expense management system TMC OBT
Policy compliance	Travel management services coverage Travel intensity
Traveler satisfaction	TMC OBT Expense management system
Change in total travel cost	Expense management system
Climate impact of business travel transport reduction	Card provider TMC Individual suppliers (e.g., rental car, rail)
Share of corporate credit card volume	Card provider Expense management system
Travel agency performance index	Procurement tool Community rating / Travel management social media tool TMC

**Step 6 – Track and act on the data**

Steps one through five will only prove worthwhile if you track and act on the data.

Use your data to establish a baseline; work with stakeholders to establish a target or target range against which progress will be measured. Recall that variance from a target range can be noteworthy: If your KPIs track within a consistent percentage range either across time or across different business units, then a sudden move outside that range can effectively raise a red flag.

Crucial to making data actionable is the effort to make it quickly and easily understandable, both purely visually and in the context of overall company expectations or precedents for data representation.

Travel managers will generally find that they have recourse to dashboards and/or scorecards for the representation of their KPI data; the choice should be driven by the needs of the target audience for the data. Scorecards inherently measure against goals, dashboards need not; dashboards present raw news, while scorecards are editorials of sorts.

A scorecard, which is usually part of a broader corporate methodology and is a report card of how a given person, business unit or entity performs with respect to certain goals over a given time period, can be useful in presenting KPIs to C-suite management. A dashboard, as a set of indicators about the state of and real-time changes to tactical information (often displayed as charts, graphs or gauges), is often most useful for stakeholders involved in the “nuts and bolts” of the program.

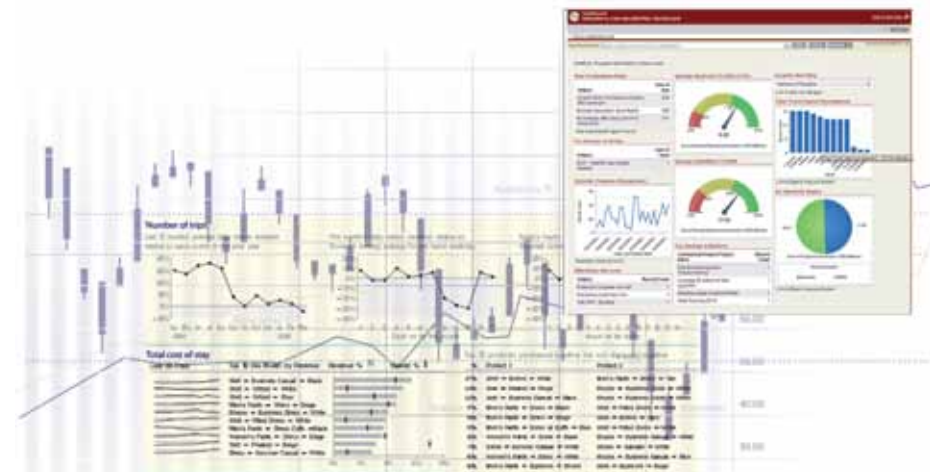
A traffic light system is a classic dashboard component, placing amber flags against KPI measurements that fall slightly outside an expected range and red flags against measurements more significantly outside those ranges.

**Dashboards vs. scorecards**

Both dashboards and scorecards display performance information in a compact way, but there are differences between the two.

	Dashboard	Scorecard
<b>Purpose</b>	Displays performance	Displays progress
<b>Usage</b>	Performance monitoring	Performance management
<b>Updates</b>	Real-time feeds	Monthly snapshots
<b>Data</b>	Events	Summaries
<b>Context</b>	Exceptions, alerts	Targets, thresholds
<b>Source</b>	Linked to systems	Linked to plans

Source: “Dashboard or Scorecard: Which Should You Use?”, The Data Warehousing Institute, Jan. 2005



Amber and red flags can then be investigated, both through quantitative and qualitative sources, to understand what has caused the variation from the expected range. Quantitative sources will most likely include scrutiny of tactical KPIS. Qualitative sources could include talking to colleagues in local markets.

The good news is that strategic KPIS are inherently powerful catalysts for action because they are designed for senior management to view, understand and authorize responses. It should then be possible to monitor whether the actions taken have been successful by seeing whether the KPIS return to their expected ranges.

Even in the post-recession landscape, many travel managers are still not measured beyond the savings they achieve in individual trip components and online adoption. This should not hinder travel managers from proactively approaching the strategic program KPIS that go beyond their direct responsibility. A travel manager can—and should—play the role of a “process owner” who ensures that the bigger picture is being addressed and managed from a total program perspective. For each KPI, they need to identify who holds ultimate responsibility.

For instance, travel managers can influence but not control the number of trips taken; the KPIS of travel intensity and virtual meeting index are typically controlled by the actions (and non-actions) of department heads or business unit leaders. The travel manager, however, can use the KPI to discuss what drives traveler behavior and recommend ways to improve performance.

Such dialogue with key stakeholders, with the travel manager as facilitator and advisor to the business, promotes overall program strength and highlights the value that travel management can bring to the corporation.

## Case study

### EADS takes action on high fares

EADS regularly summarizes its top ten average city-pair fare increases. The travel team responds to this data with detailed investigations to understand why the fares went up and how to remedy the situation. Among the reasons for increases it typically discovers are:

- Negotiations should have been more aggressive
- An airline has quit the route, reducing competition
- The main fare class used no longer exists
- Inaccurate fare loading

As a result, remedies which can be applied include:

- Better negotiation
- Re-configuration of booking tool to reflect new booking class
- Loading of correct fares
- Better communication with travelers about which airline to use



Cost containment is a primary strategic objective at most corporations, so savings measurements naturally feature among their strategic KPIs. However, these measurements need to be the right measurements—ones which provide true insight into whether the actions the company is taking are reducing the cost of travel.

That may sound obvious, but in reality businesses do not always create savings measurements which are meaningful. Knowing an average ticket price is \$200, for example, is not particularly helpful. Even knowing that last year it was \$250 is not necessarily helpful either. Knowing you had the potential to bring it down to \$180 but only achieved \$200, on the other hand, is useful.

Going further, the case can be made that some KPIs are potentially counter-productive. They can drive buying behavior that pushes up the cost of travel as buyers or budget-holders make decisions which help them meet their targets but are not beneficial overall for the business.

#### Stage 1 – Layered measurement

The key, therefore, to meaningful savings measurement is to provide context. As a starting point, travel managers can apply generic procurement/finance measurement approaches.

##### 1. *Change in price* (i.e., (average previous price – average current price) x current units)

This is an attractive measurement because it is easy to make, but its lack of context makes it of limited use in isolation. With travel being a recurring demand this looks like a good approach (and is often mandated by the finance department). However, the measurement can be deceptive because comparing spend year-over-year or month-over-month gives an illusion of meaningful context, especially for a stakeholder in a hurry and without full understanding of the price drivers in travel.

An additional limitation is a reliance on a forecasted or expected definition of “price.” Often procurement tracks the negotiated price

rather than actual price achieved. This an important drawback, since it means that savings might have been achieved on paper only, with traveler preference and behavior, restricted availability and other factors often creating a major difference between negotiated prices and actual prices.

##### 2. *Change in price against change in market index*

Average fares and hotel rates are subject to market dynamics and volatile unit prices resulting from yield management (either through actual price fluctuations or inventory management). Consequently, a more realistic perspective can be obtained by linking achieved fares and rates to an index showing other prices being paid in the same market.

In turn, indexing creates two challenges:

- What is the right index? The level of granularity can make a big difference. For accommodation in New York, for example, do you make your index the average daily rate for upper upscale hotels in Manhattan, business hotels in the whole of New York City, all hotels in the state or an even broader base?
- Many finance departments insist on a strict savings definition of a bottom-line price decrease. This means that “savings” which beat the market but are not “real savings” are referred to as “cost avoidance.” Either way, we suggest tracking both measurements and being consistent in the way a price change is measured and published.

The importance of understanding the options of how savings may be defined, and of understanding the implications and pros and cons of the definition(s) your organization chooses, cannot be overstated. The “perfect” definition may not exist—or, at best, will vary from company to company—but your program will benefit from your awareness of your choices and their consequences.<sup>3</sup>

<sup>3</sup> For an excellent introduction to common savings definitions and their implications, see *Savings Metrics, Rat Farms and KPIs Gone Bad*, Gillespie’s Guide to Travel+Procurement (<http://gillespie411.wordpress.com>), Jan. 29, 2010.

## Case study How Nestlé measures hotel savings through volume variance and market indices

Nestlé is the world's leading nutrition, health and wellness company. Its travel program management provides a matrix of its year-on-year incremental room rate savings in every destination worldwide. It then adds two indices to give the figures meaningful context and calculate the value created by the efforts of the procurement department:

- *Volume variance* – How many rooms has the company booked at that destination? “If last year we had 17 per cent fewer bookings than the year before, that will have had an effect on savings because it meant we did not have the volume to negotiate for this year,” says Brenda Miller, global manager for travel and meeting services with Nestlé.
- *Market index* – This tracks how Nestlé's average negotiated rate at a destination compares with the benchmarked average negotiated rate achieved by other buyers. If Nestlé is already achieving a good rate relative to its peers, then it cannot expect to see its average rate fall as fast as the rest of the market in the next round of negotiations. “The new rate will still be better than the rest of the market but the saving is not going to be as much incrementally,” Miller says.

Figure 5 – Nestlé sample hotel savings matrix (fictional figures; in U.S. dollars)

Market /Destination	Average RN price Jan - Jun '09	Average RN price Jan - Jun '08	Roomnights (total) Jan - Jun '09	Roomnights (total) Jan - Jun '08	Total revenue '09	Total revenue '08	Market index development	Volume variance	Cost evolution due to price variance	Cost evolution due to hotel industry price evolution	Added value of procurement
SYDNEY	160	212	500	240	80,000	50,880	1%	55,120	-26,000	1,005.51	27,005.51
SHANGHAI	168	167	50	60	8,400	10,020	-13%	-1,670	50	-1,107.16	-1,157.16
CAIRO	134	96	70	60	9,380	5,760	-6%	960	2,660	-396.48	-3,056.48
DELHI	94	130	40	50	3,760	6,500	-21%	-1,300	-1,440	-1,076.70	363.30
SEOUL	235	175	500	600	117,500	105,000	4%	-17,500	30,000	3,106.38	-26,893.62
BRUSSELS	185	275	800	900	148,000	247,500	-3%	-27,500	-72,000	-5,592.45	66,407.55
COPENHAGEN	178	270	700	80	124,600	21,600	-4%	167,400	-64,400	-7,220.47	57,179.53
PARIS	199	242	2,500	1,500	497,500	363,000	-2%	242,000	-107,500	-12,523.50	94,976.50
FRANKFURT	147	193	1,000	600	147,000	115,800	-5%	77,200	-46,000	-9,688.60	36,311.40
BARCELONA	164	187	2,300	2,000	377,200	374,000	-7%	56,100	-52,900	-30,584.43	22,315.57
LONDON UK	155	199	1,800	2,000	279,000	398,000	-8%	-39,800	-79,200	-28,548.54	50,651.46
MEXICO CITY	164	153	200	140	32,800	21,420	15%	9,180	2,200	4,714.34	2,514.34
VANCOUVER	128	147	400	300	51,200	44,100	-1%	14,700	-7,600	-305.76	7,294.24
HOUSTON	185	163	600	780	111,000	127,140	0%	-29,340	13,200	-419.54	-13,619.54
NEW YORK	205	276	1,800	1,200	369,000	331,200	1%	165,600	-127,800	2,484.00	130,284.00
			<b>13,260</b>	<b>10,510</b>	<b>2,356,340</b>	<b>2,221,920</b>		<b>671,150</b>	<b>-536,730</b>	<b>-86,153.41</b>	<b>450,576.59</b>

**Definitions:**

**Market index development** = current market index - previous market index  
**Volume variance** = (current roomnights - previous roomnights) x current price

**Cost evolution due to price variance** = (current price - previous price) x current roomnights  
**Cost evolution due to hotel industry price evolution** = (previous price x market index development) x current roomnights  
**Added value of procurement** = ((previous price x market index development) - current price) x current roomnights

Miller believes the two indices, which she also uses for air travel, give a much more accurate picture of how her department is performing. “In the first half of this year, airlines made more fares available in lower business-class buckets,” she says. “That increased access for the rest of the market

to lower fares and brought average ticket prices much closer to the good fares we were already getting. The numbers we provide explained that. On the other hand, the numbers also show the value we bring to the company’s travel program rather than just taking advantage of the downturn.”

3. *Sourcing performance metrics (e.g., discounts achieved by changing requirements, using e-auctions, etc.)*

These specific measurements are helpful for assessing what impact the procurement process had in achieving a lower price. However, once again there are potential pitfalls to be aware of:

*Unit price of old contracts versus unit price of new contracts*

This measurement tracks the level of discount buyers have obtained, but can be misleading if it inadvertently rewards buyers for concentrating on the highest-priced fare or rate categories where the potential for obtaining discounts is greatest.

*Published unit price versus negotiated unit price*

This measurement potentially encourages buyers to work with high-margin suppliers who have the greatest capacity for offering discounts. The corporation might obtain far lower prices by using a low-cost carrier, but since budget airlines do not usually offer corporate discounts, the buyer would not be recognized or rewarded. With increasingly sophisticated yield management techniques and the increasing prevalence of best available rates, looking at negotiated unit price is in any case becoming an increasingly anachronistic form of analysis.

**Behavioral savings**

The aim of behavior management is to improve compliance to policy and—ideally—to achieve results better than policy. Savings through behavior management thus refer to equipping travelers with the tools and motivation to “do the right thing.”

Travel managers can complement supplier programs with best available market prices (also known as “spot air fares” and “spot hotel rates”), initiate projects to increase the advance booking ratio and run education and awareness programs.

With most organizations with significant travel spend having mature preferred supplier programs and minor incremental savings, the potential that can be achieved through behavior management is significant. As these savings fall outside traditional procurement metrics, it is important to define related metrics and achieve consensus on how they might be considered in the saving framework.

One point of caution: Often savings are claimed “predictively” following negotiation. Behavioral savings initiatives will tend to help you realize the savings you’ve already claimed. It is imperative to understand the overlap and avoid double-counting the success achieved.

**Demand management**

But all of the above contextualization still fails to present a complete savings picture. For example, what about demand management? Most of the discussion above has been about cost per trip, but the number of trips a company makes affects its level of travel expenditure even more profoundly.

Traditionally, number of trips has not been considered relevant to savings measurement, because procurement has not been involved in making decisions on whether someone should travel or not. Such attitudes are now changing with the evolution of demand management, for example through encouraging video conferencing and other travel alternatives.

Demand management appears to be making an impact, but it is an impact that is hard to quantify. How can one demonstrate that a specific procurement or travel management project really led to sending only one employee to a meeting instead of several or replacing that trip with a virtual meeting?

For the time being, “savings” considered attributable to demand management are typically categorized as “cost avoidance” but they remain important to track as part of the total cost perspective. Some of the strategic KPIs provided, such as travel expense productivity, travel intensity and virtual meeting index will help companies get closer to providing hard facts.

**Case study****Nestlé measures savings lost through traveler behavior**

Nestlé provides a dashboard report to C-level executives detailing lost savings owing to traveler behavior. The report includes:

- Tickets issued within seven days of travel
- Lowest fares within policy not accepted
- Missed room nights – i.e., when travelers have booked a flight involving overnight travel but not booked a hotel room as well
- Online booking adoption

**It may sound obvious, but...**

- There is a big difference between claiming negotiated savings and actual savings.
- Savings criteria always need to be cleared with the finance department in your organization – sometimes cost avoidance can be claimed, sometimes not!

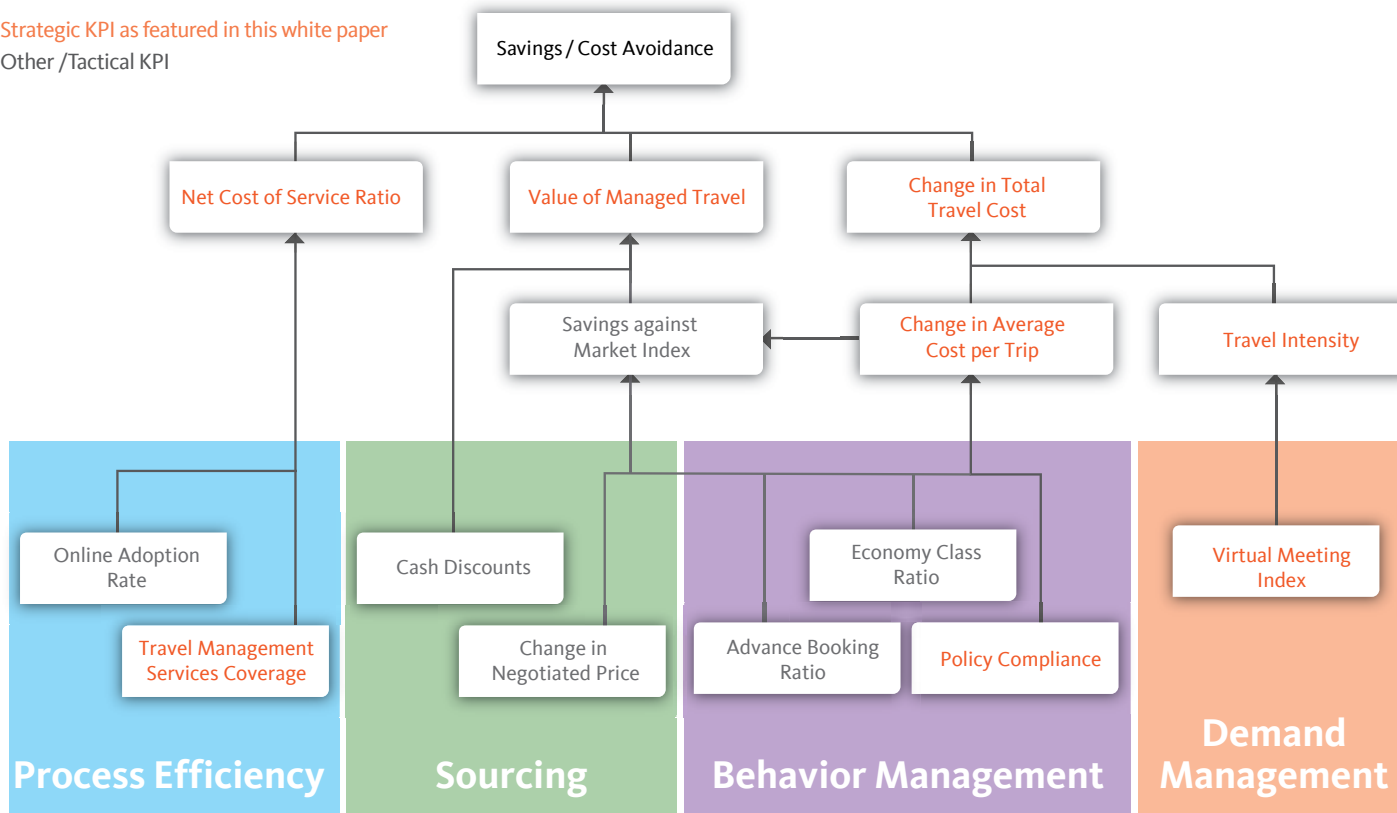
**Stage 2 – Putting it all together: the savings KPI hierarchy**  
 As has been seen, true understanding of savings can only be achieved by measuring numerous influencing factors, both internal and external. These include market developments, the actions of the procurement department and the behavior of travelers. Looking at the big picture makes it clear that many of the strategic KPIs discussed earlier in this

white paper are directly or indirectly relevant to achieving savings. They include everything from online adoption rate to usage of virtual meetings to policy compliance.

To tie them together, it is useful to map them out as a hierarchy. An example of such a hierarchy that includes strategic and tactical KPIs is included in Figure 6.

**Figure 6 – KPI hierarchy: Savings**

Strategic KPI as featured in this white paper  
 Other /Tactical KPI



The hierarchical approach illustrated here for a savings/cost avoidance strategic objective can of course be applied to all strategic objectives (i.e., sustainability, traveler satisfaction, etc.)

This illustration is also simplified; readers may rightly note that there are potential overlaps in the assignment of KPIs to “foundation” categories (i.e., Process Efficiency, Behavior Management). Online adoption rate could, for example, be placed under Behavior Management. The structure of the hierarchy will depend on an individual company’s priorities, strategy, initiatives and company culture.

It should be clear by now that the quest for a perfect, 20/20 vision of savings is one that can never be fully achieved. However, judicious use of KPIs and an understanding that savings have to be measured from multiple perspectives can give buyers more than enough visibility to reduce cost within their organization.

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The structure of the hierarchy will depend on an individual company’s priorities, strategy, initiatives and company culture

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### Case study

## Budget tracking, demand management and fare rise investigations – how EADS measures its savings

Like Nestlé, there are some distinctive aspects to the EADS travel savings strategy.

#### *Tracking spend versus budget*

Primarily, EADS takes a top-down approach. “We find it much more meaningful if the group sets targets for how much each business can spend on travel,” says head of extended travel enterprise James Westgarth. “Financial controllers are well aware of what the targets are. We measure whether they hit them.”

#### *Cost analysis*

EADS divides its cost analysis into three categories:

- Unit cost – the traditional area of travel management. Like Nestlé, there is significant focus on booking behavior, including average time between booking and departure, usage of restricted tickets and number of hotel bookings in policy.
- Transaction cost – e.g., online adoption rate (booking offline generates a higher TMC fee)
- Effective management of demand – attempting to quantify how much is saved by eliminating travel. EADS collects data on use of video-conferencing and has also introduced a program to track whether two people from the same cost-center are traveling to the same destination on the same day. Any duplication is highlighted in the travelers’ itineraries and it is logged if one of them cancels their trip in consequence.

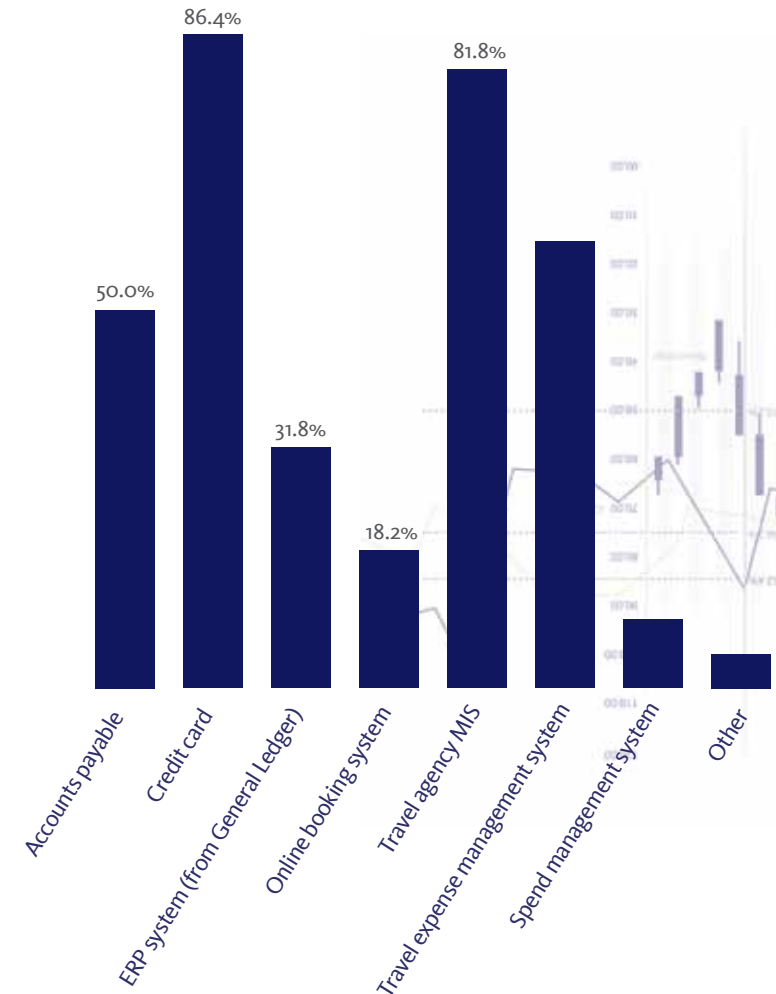
Creating actionable intelligence is only possible if the travel manager has access to clean, comprehensive data. Sourcing data, then combining and managing it is therefore an essential part of a strategic travel team's job description. This section outlines some of the most important points for dealing with these logistical tasks.

#### Sourcing data

One of the challenges faced by travel managers is that they have to coordinate feeds of data from multiple sources. The survey of ACTE travel buyer members (mostly from U.S.-based global companies with mature travel programs) carried out in April 2010 proves the point (Figure 7).

Corporate card provider (86 percent) and TMC (82 percent) are the most popular sources but travel expense management system (59 percent) and accounts payable (50 percent) are also used by at least half of respondents.

**Figure 4** – What are your primary sources of travel expense data for reporting and budgeting? Check all that apply.



Source: Survey of corporate members, Association of Corporate Travel Executives, April 2010.

Working with internal sources can be problematic because expense categories often vary across the business. This leads to some travel-related expenses being missed if they are, for example, labeled as “training.”

However, as the survey indicates, managers of mature travel programs usually have access to high-quality data feeds through those two crucial external data channels—card and TMC. If a high percentage of spend is not directed through these two channels, any attempts to analyze and act upon data will prove an uphill struggle. If a high percentage is driven through them, there is every chance of success. “Travel has a big advantage over some other procurement categories because we have great data suppliers,” says Nestlé global manager for travel and meetings Brenda Miller.

#### Combining data

Even though travel managers have access to some excellent sources of data, there can, for many reasons, be gaps and overlaps in those sources’ coverage. As an example—leaving aside data consolidation capabilities, the travel management company primarily provides data based on bookings made via the agency. So this source misses most of the on-trip expenses such as meal and taxi.

And even a card cannot offer everything. The detail provided by individual plastic cards is often sparse, especially compared with central billing accounts (also known as lodge cards), and some cards have better levels of acceptance than others. Also, many programs—even if they offer corporate cards—cannot mandate their use and thus miss out on important spend information. The expense management system is the source that should have the broadest view on travel-related spend information, but unfortunately often does not provide sufficient detail.

### Case study

#### Where EADS sources its data

Initially, the EADS travel team gathered its data from three principal sources:

- Pre-trip: Reservations data through TMC and online booking tool
- On trip: Corporate card
- Post-trip: Expense processing provider

It has now added four more categories of data:

- Technical data: e.g., online booking response times
- Financial and HR data from ERP: e.g., personnel hierarchies
- Traveler data: e.g., satisfaction surveys
- Facilities data: e.g., video-conferencing utilization

It is therefore critical to consolidate different data sources to obtain a full picture. However, some degree of prioritization is also necessary: select a master source for each data point that drives a KPI and then select other sources to provide complementary information.

#### Data for negotiation

The more sophisticated types of spend and supplier analysis require companies to synthesize data about their own expenditure with external information, e.g., benchmarked spending of peer companies, or even airline schedules.

### Data warehouses – the options

Travel buyers who use more than one source of data often conclude they need a mechanism to combine them, usually in what is called a data warehouse. “I can’t emphasize how important a data warehouse is,” says EADS head of extended travel enterprise James Westgarth. “There is an initial investment to get it up and running, but once in place it pays for itself repeatedly.”

There are three basic options for creating a data warehouse:

#### *In-house*

This could be a stand-alone data warehouse or it could be one already used for other functions within the organization, such as an ERP system. If that is the case, then feeding links from key travel providers can be straightforward, and the travel data will be reported on the company profit and loss statements as a line item. However, extra resources will be needed either way to support an internal solution, whether stand-alone or as part of a larger data warehouse. Setting this up could be slow and costly, but one major advantage is that the final product is guaranteed to be compliant with internal processes.

#### *Outsourced*

This task can be handed to an existing travel data supplier, such as a TMC or card provider, or to specialist travel data consolidators such as TRX or Prism. One advantage of outsourcing is that third parties are subject matter experts who are fast to implement and are well aware of the pitfalls which obstruct the path to accurate, consolidated data. Their flexibility and security standards are of an acceptable standard for most corporations. However, beware of one potential problem, which is the possible reluctance of other data suppliers to hand off data to the outsourced provider.

#### *Hybrid*

A hybrid solution is for a third party to build and host the data warehouse but to manipulate and control it in-house. This can be done through a software-as-a-service license. It works particularly well if the travel team includes a dedicated data analyst.

Yet another option is to create a hybrid the other way round, an option favored by EADS. “The best answer for us is to have the data warehouse created internally but managed externally,” says Westgarth. “I am very interested in outsourcing our data management because it is not a core competence. However, not only does the outsourced party need good technical skills, but it needs functional skills to deliver the right reports on time.”

#### *Analyzing data*

Added to the question of outsourcing data management is the question of whether a travel team has enough expertise in-house to analyze its data. Some of the most detailed analyses, such as for airline contracting, require powerful analytical engines and scenario modeling. Many buyers conclude they cannot perform such tasks alone and turn to a consultancy which can integrate flight schedule data, discount data, market forecast and airline cost data, and then create an algorithm to provide a range of negotiating options.

As the section on measuring savings demonstrated, measurements cannot be looked at in isolation. They need context, such as historical comparisons and market perspectives. In addition, companies often find it useful to compare performance between business units internally, and they also like to make comparisons externally with peer companies. Comparisons of this nature—especially externally—are known as benchmarking.

There are numerous ways in which companies can benchmark against each other, including comparing strategies, processes and performance. At its most basic, benchmarking is a four-step procedure:

1. Map out your own existing business practice.
2. Analyze the business practice of peer companies (similar industry sector, similar size, similar spend, similar policy, similar geographic spread, etc.). Be aware that the definition of peer may change according to the practice you want to benchmark.
3. Compare your own business performance against the analysis of the peer companies.
4. Initiate actions to close the gaps where you identify your performance lags behind your peers.

Benchmarking travel programs between different corporations has a long and complicated history. While formal and informal sharing of best practice for process is widely recognized as extremely valuable, feelings are more mixed about data. With so many variables, can comparisons ever be meaningful?

The skepticism could arguably be even greater for benchmarking of strategic KPIs. This creates a double barrier of potential incompatibility: different strategic aims and different travel program configurations. On the other hand, some of the strategic KPIs may provide a basis for helping you select the right peer group and make benchmarking more meaningful.

Advito believes benchmarking strategic KPIs would be extremely beneficial for companies with mature travel programs. Of course each company has a different structure and strategic priorities. However, the purpose of strategic KPIs is not to produce absolute figures but an index or a range against which to make comparisons. This is not just true for companies comparing themselves with other companies, but also within organizations—business unit against business unit, for example.

#### **Turning a vicious circle in a virtuous one**

One reason companies have not benchmarked strategic KPIs is that there are still not many which track them. But this is a vicious circle: one reason not many companies have started producing strategic KPIs is that they have few role models to copy.

We hope this white paper will act as a catalyst to convert that vicious circle into a virtuous one. Ideally, it will encourage more companies to create strategic KPIs and they will prove the role model for still more to join in with them.

There are no hard and fast rules here, but the starting point could be some of the strategic KPIs outlined in Section 1, namely:

- Travel management services coverage
- Virtual meeting index
- Value of managed travel
- Travel expense productivity
- Travel intensity
- Policy compliance
- Change in total travel cost
- Climate impact of business travel transport reduction
- Share of corporate credit card volume
- Travel agency performance index

(See page 4 for a definition of each of these strategic KPIs.)

### Conclusion

Benchmarking is perhaps the last link in a chain which runs throughout this white paper. It adds yet another layer of context to data and reminds us that good data is all about achieving deeper, actionable insight into how a company is run.

Strategic travel KPIs are important for precisely this reason. Travel does not exist in its own bubble. It is a vital function which ensures a company constantly renews itself, whether in terms of seeking new markets and customers or developing new products. At the same time, the costs generated by travel affect profitability significantly and therefore it is important to find accurate ways of measuring those costs and monitor how successfully they are being contained.

The prioritization of cost containment which characterizes corporations in developed markets means savings KPIs are perhaps the front line of strategic travel KPIs. However, they are not the only important strategic financial indicator. The travel expense productivity KPI, for example, can gauge whether the level of travel expenditure is appropriate for a company's revenues.

Wider still, no company can measure its progress purely in financial terms. Issues like sustainability and duty of care are also at the forefront of boardroom agendas, as is compliance. Each of these issues affects travel and there are strategic KPIs to measure all of them.

It is worth repeating the cautionary note that effective performance management requires a high degree of stakeholder participation during the design phase. It also needs to be fully aligned with the performance management framework and terminology used in the corporation and link directly to the company's specific goal prioritization. As such this whitepaper can provide a framework and some food for thought but should not be seen as a blueprint that can be applied identically for every organization.

That said, Advito firmly believes that strategic travel KPIs are the glue which join a travel program to the core functions of the company that the program serves. They ensure the program remains relevant and appreciated by senior management. They also provide a permanently evolving agenda for action, allowing travel managers to maintain optimum performance management of their travel programs.

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**Association of Corporate Travel Executives**

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### About Advito

Advito provides travel-management advisory, procurement and outsourcing services that guide clients through a complex travel environment. Advito's focus on consulting delivers proven value, unbiased counsel and a customized approach for every client and every engagement, together with industry expertise and access to data to drive quantifiable decision-making. Advito is headquartered in Atlanta and London and operates in key business markets around the world. Advito is an independent operating unit of BCD Travel, the world's third-largest travel-management company, owned by BCD Holdings N.V.

### About BCD Holdings N.V.

BCD Holdings N.V., a Dutch family-owned company founded in 1975 by John Fentener van Vlissingen, is a market leader in the travel industry. The BCD Holdings companies are BCD Travel (global corporate travel management), Park 'N Fly (off-airport parking), TRX (travel transaction processing and data integration), Airtrade (consolidating and online travel), VakantieXperts (leisure), Vayama (online travel USA) and Parkmobile International (mobile parking and traffic applications). BCD Holdings employs approximately 13,000 people and operates in more than 90 countries with total sales, including franchising, of U.S.\$ 14.8 billion. For more information, visit: [www.bcd-nv.com](http://www.bcd-nv.com).

