BIZCOMMUNITY

A relevant travel policy optimises savings, limits friction

By Kim Cochrane

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Does your corporate travel programme incorporate the latest trends and technologies? Is your Travel Management Company (TMC) still moving your business forward? Are you stuck in client-specific contracts with suppliers that limit you from booking deals more appropriate to your business requirements? Do your travellers suffer from fatigue? If these questions make you uncomfortable, it may be time for a travel policy review.

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Things change. New trends pop up frequently; travel technologies improve the way companies manage travel and unforeseen threats often result in heightened sensitivities around duty of care. It is, therefore, crucial to review a corporate travel programme regularly and implement improvements that focus on cost optimisation, as well as traveller safety and comfort.

Companies tend to think that it is more relevant for large, multinational businesses to update their travel programmes frequently. The truth is, no matter what size your business, it is critical to examine whether you are getting the maximum value out of your travel spend, believes Oz Desai, general manager of Corporate Traveller, a division of the Flight Centre Travel Group.

"Every business, large or small, also needs to ensure their TMC is moving forward and continually supporting business strategies and travellers' experiences," says Desai.

Where to start

In a recent client report, Corporate Traveller suggested the first step in a travel policy review is to establish whether the travel policy is driving the travel programme, or if it is the travel programme that is dictating policy.

"Your travel policy can provide a solid foundation to a well-managed travel programme," says Desai. "Not only will the travel policy provide a standard for compliance, but it also allows companies to control costs and savings, as well as to support the duty of care and risk-management objectives."

Collaboration between the traveller, TMC and the company is vital when it comes to balancing the traveller and the company's needs. The report revealed that only a third of travel policies consider the individual traveller's needs and fewer than half the companies polled said they were concerned or had started assessing the concept of traveller friction and the impact thereof.

According to Desai, this can have a detrimental effect on travellers well-being and, as a result, will impact negatively on the company. Traveller friction, otherwise referred to as traveller fatigue, is the negative influence of travel on a traveller, such as insomnia, depression, discomfort or exhaustion, which ultimately manifests as lower employee productivity.

Translate the review into real savings

Outdated policies mean ineffective travel programmes that disrupt business, frustrate travellers and do little to contain costs or risks, the report reveals. To ensure the travel policy is a living document and fit for purpose, organisations need to evaluate every level of spending during the review process.

Consider air travel policies. According the report's data, the cheapest time to book domestic travel is between one and two months in advance. Airlines tend to charge a premium on fares booked more than six months before departure, as they don't feel they need to entice travellers with special deals that early. If you are planning to travel and booking it six months in advance, chances are it is irrelevant whether or not there is a special offer as you will book regardless. Between one and two months before the travel date will see the most tactical activity around pricing. This activity drops closer to the time of departure, at which point fares rise again.

"It could be counterproductive to enforce a 21-day advance purchase policy for domestic travel when booking 14 days' before the travel date will provide similar savings," suggests Desai.

The cheapest time to book African travel is between one and three days before travelling, followed by one to two months in advance, the report shows. Three to four weeks before departure is the most expensive time to book international travel.

Seasonality should also play a role in determining your air travel policies. For international travel (excluding Africa) the most expensive months are January, July and December, while February, May and November are the cheapest months.

Demand for travel during the northern hemisphere summer and Christmas holidays drives up the average prices, the report maintains. "At those times, South African travellers are 'competing' against international travellers for seats. Often airlines close out the lower booking classes to drive high prices when the demand is high."

Do you qualify for volume rates?

While it can be advisable to negotiate rates with providers based on volumes, there can also be significant pitfalls resulting from client-specific negotiated contracts, believes Desai.

Firstly, keep in mind the minimum spend is often quite high. And, if companies miss this target, the deal will fall away the following year. Another consideration is that rate discounts might only apply to higher airfares. This could mean that your company would still pay substantially more than the lowest available ticket price.

For some organisations, getting locked into using a particular airline or hotel chain is restrictive because this does not always provide the company with enough flexibility to travel according to the needs of the business.

Partnering with a TMC that has volume deals in place thanks to its buying power can help clients achieve the best savings, advises Desai. "This is because companies won’t have restrictive travel supplier targets to worry about so they can enjoy the flexibility of choosing the best option at the time of quotation," concludes Desai.

ABOUT THE AUTHOR

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