

Role of technology in travel management



TRAVEL INDUSTRY CURRENT PRACTICES

INTRODUCTION

In this chapter I will take an overview of the travel industry in order to better understand the context about which I am writing. Consideration of the value of the business travel spend, the role of Travel Management Companies and the role of technology in its operation and future vision, are the relevant issues in this regard. An outline of the various managerial approaches used by private industry will help inform my analysis of travel management in the public sector and what lessons can be learnt.

VALUE OF BUSINESS TRAVEL

In 2013 Hermes Consultancy Management produced a white paper on ‘Corporate Travel Management in Western Europe: Opportunities and Challenges’. The research was commissioned by Amadeus (a Global Distribution Service provider) in order to better understand how organisations manage their travel activities and to identify saving opportunities for travel managers. The white paper calculated that in 2011, business travel in Western Europe amounted to almost € 200 billion, concentrated in five countries: Germany, UK, France, Italy and Spain. Hermes (2013). Eleven corporations in the UK, France, Belgium, Ireland and the Netherlands took part in the research study and numerous travel managers, executives and travellers from these companies were interviewed. The Central Statistics Office tells us that in 2011, the Irish business travel spend was €548 million on 698, 000 business trips (CSO 2013) of that public sector travel under the Government air travel contract was : €5. 9 million for 18, 358 trips and in 2013 it increased to €6, 972, 477 for 25, 902 trips. The

increase in volume can be attributed to Ireland Presidency of EU during 2013.

Business travel is a substantial and growing sector with a significant travel spend. As globalisation continues apace, companies and governments will reach out to newer markets for their goods and services, at the same time as continuing to consolidate traditional markets in a challenging economic climate. Figures from the Global Business Travel Association (GBTA) indicate that spending on business travel within the UK, Germany, France, Italy and Spain is forecasted to climb by 6% next year, an increase which may be set to come about as a result of improvements to the global economy.

Government travel is predicted to increase by 4.9% according to GBTA, who believe that the slightly lower percentage for government travel might be because governments have already successfully cut travel spend, while corporate business is enjoying an uptick as it starts and continues to hire new employees who travel. Government business in Europe accounts for 4.7% (€940 mil) of all business travel demand compared with 5% globally. The Director of Operations with GBTA McGavock believes that, that share is expected to increase for at least the short term. *“ While 2012 was a difficult year, by the end of 2013 we predict an upturn, and in 2014 we believe we will see extensive growth. The next five years should see a bounce back in business travel among all of Western Europe 's major markets .”* The European Commission predicts that the 27 countries it represents will emerge from recession in the fourth quarter of 2013, with its overall economy growing by 1.4% in 2014, Eurostat (2012). Accompanying this growth will be an increasing requirement for corporate travel and this

expansion will require robust and innovative management in order to control costs and spend.

TRAVEL MANAGEMENT COMPANIES

Travel Management Companies are the medium through which organisations use to implement and manage their business travel requirements. They should not be confused with the work of a traditional Travel Agency which provides travel to the leisure traveller on behalf of suppliers, airline, hotel, car hire companies. Most travel agencies have a separate department that deals with business travel, and some travel agencies specialise in commercial and business travel only. This department would trade as a travel management company and implement the organisations travel policy. They procure travel on behalf of the organisation according to its policy on the class of travel permitted to fly, negotiate corporate fares/rates with airlines and hotels as well allowing the organisation use its corporate credit card to procure flights online via their online booking tool.

According to the Buying Business Travel magazine (2013) the top five (5) TMC's operating in Europe based on their European spend are:

1. CarlsonWagonlit Travel (CWT), (£1, 157m)
2. HRG Travel, (£1, 000m)
3. American Express, (£958. 1m)
4. Capital Travel and Events (£525m)
5. BCD, (£480m)
6. FCM Travel Solutions (£428)

All of the above have a presence in Ireland through either partner agreements or wholly owned. The current provider for the Irish Government travel contract is CarlsonWagonlit Travel. The previous government providers were; HRG (Club Travel) and FCM Solutions. Due to the size of the Government spend approximately €6 to €9 mil annually it is not surprising that the top TMC's have continually competed for the business. In addition as it is a centralised contract, a large sized company would be required to deal with the volume of transactions generated by Irish Government travel. Each of these companies use a global distribution system (GDS) which provides a network whereby TMC's can access fares from the various airline reservations systems and facilitates online transactions. This in turn provides a portal for clients of TMC's to procure their air travel through the use of online booking tools (OBT). The most popular GDS providers are, Travelport, Galileo, Sabre and Amadeus, public sector has had access to Travelport through KDS OBT licensed by CWT and Galileo OBT licensed by HRG.

ECONOMIC CLIMATE

The impact of the global economic downturn has resulted in an increased emphasis on generating savings, as companies strive to operate within an ever decreasing resource envelope. This is relevant to all organisations and Travel Management Companies in particular. Economic stringency has allowed travel managers to take a more prominent role within their companies, and has made travel management, as a profession, an important element of a company's strategic planning. According to the Global Business Travel Association (2014), travel managers have been asked to lead company-wide efforts to reduce travel costs, track relevant savings, and report them back to senior management. The knock-on effect of this to

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TMC's is increased competitiveness within the travel management sector. The natural ambition of business organisations is specifically the transformation of inputs (resources) into outputs (goods or services) (Worthington & Britton, 2006: 4). In the context of a TMC, the company employs the relevant staff to carry out specialised travel advisory duties, and provides the necessary booking systems to their staff in order to maximise their input to output ratio; in the current economic climate this is becoming more and more challenging. So the drive is on in every sector to achieve greater value for money.

TECHNOLOGY

In Chapter 2, I looked at technology in relation to the procurement of travel; here I will examine it as it impacts on the business environment, in which TMC's operate. In terms of external environmental factors, Thomas Davenport (2013) indicated that technological change is one of the main issues currently impacting TMC's, with the potential of completely transforming the way in which the companies operate. Davenport (2013) and a number of other authors including Fred Gebhard (2013), highlighted that the travel industry is at a 'Big Data' crossroads, and that complex, large volume and unstructured datasets are beginning to reshape and transform the industry. Additionally, Davenport suggested that big data will require the industry to address a number of challenges, in order to unlock its potential: technological complexity; data accuracy and rights of use; business and technological alignment. At the corporate buyer level gaining access to accurate travel reporting data is a major factor in the effective management of air travel and presents opportunity to identify where savings can be

achieved. This is very important for both the buyer and supplier of air travel. It is interesting to note that technological developments pose both an opportunity; and a threat to TMC's. The opportunities for the companies may involve ensuring the company is up to date with technological advancements within the industry in order to remain competitive. Conversely, if TMC's are slow on the uptake of embracing and implementing new technology in their organisation, they may be at a disadvantage within the business travel market. Overall, the rapid advancements in technology alone present a significant challenge to the travel industry, specifically to TMC's.

Voice BASED AND MOBILE TECHNOLOGY

A key writer on the travel industry, Scott Gillespie (2012) identified various technological changes which he emphasised are a 'tipping point' for the corporate travel industry. Some of those changes mentioned include the technological advancements of voice-based user interfaces from Apple, Google. Gillespie asserted that these new interfaces may be a threat to company policy compliance, due to the convenience of using such interfaces for travellers; which may in turn cause them to purchase travel outside of company policy direction. If the traveller does not book through the proper channels directed within company policy, there is no way for the TMC or corporation to track the traveller's whereabouts or provide them with services in an emergency (West, 2013) In Chapter 2 we looked at 'M' technology and the growth of that market and its increasing importance in the procurement of air travel. CarlsonWagonlit Travel has invested in this area in its recent acquisition of Worldmate a leading mobile technology company. This will bear fruit in CWT's mobile app 'CWT TO GO'. Airlines are

slowly moving towards mobile phone app technology which will replace the requirement for printing of electronic tickets and boarding passes by using mobile phone QR code (barcode) technology to check in for flights. The ongoing evolution of technology emphasises the importance for TMC's to keep up to date with it in the provision of procurement systems for clients which are not only economical, efficient and effective but contemporary and convenient to use.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The concept that organisations should be held accountable for the effects of their actions on people, their communities and the environment is known as CSR. There are many aspects of CSR which impact on the travel industry and consequently their end users. There are increasing concerns for rising carbon emissions; this coupled with rising costs naturally leads organisations to seek alternatives to air travel. These alternatives include video conferencing and webinars, however, it has been emphasised that face-to-face meetings still remain an important aspect of business negotiations (Forbes, 2009). This affects the competitive environment of TMC's, since a threat of a substitute method to conduct meetings is available. Travel Management companies need to maintain their relevance in a rapidly changing business environment. And Government travel needs to be particularly vigilant as penalties are imposed on increasing carbon emissions under the Kyoto Protocol.

MODELS OF TRAVEL MANAGEMENT

It is not feasible to produce a definitive list of air travel procurement models, but in general they fall under the following categories;

1. INHOUSE CENTRALISED MODEL & TMC;

This model is one where all travel is procured from a centralised office within the company in association with a TMC, who provides online and offline bookings. This model allows greater control over travel policy and spends and is used by both private and public sector. Business travelers would feel this model is too restrictive and doesn't allow flexibility but that is mute point when it comes to controlling spend.

2. INHOUSE DECENTRALISED MODEL & TMC

This model is one where travel can be procured by the individual employee either directly with the TMC for offline booking or online through the corporate booking tool. This model allows greater control to the individual and is favored by high-tech or internet based companies, E. G. EBay, Google, independence over their booking. This model tends to be accompanied by an incentive programme, whereby travelers can gain perks by purchasing travel within company policy and in this way costs can be controlled.

3. INHOUSE CENTRALISED AND DECENTRALISED & TMC

This model is a mixture of the two above and is a very inefficient model of travel procurement as it is very difficult to control travel expenditure and policy compliance. It is generally adopted by organisations where there is little senior management buy in to control the travel spend.

4. INHOUSE TMC IMPLANT.

This model allows a staff member of the TMC to reside within the organisation to procure all of the travel requirements of the organisation. This can be an expensive option unless travel policy is strictly enforced.

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5. INHOUSE GDS IMPLANT(verify with Volker in Amadeus/ Microsoft)

This model allows for the provision of a staff member of the GDS provider to be embedded within the organisation to assist the procurement of all travel requirements of the organisation. This can be a very efficient option as it eliminates the ‘ middle man’ charges of the TMC in the procurement of air travel as it procures direct with the GDS provider. Some organisations who favour this method also have a TMC contract for the provision of VIP or specialised travel only.

In the public sector in Ireland government travel is purchased through a centralised contract but managed and procured in many different ways by each of the Government Departments, bodies and agencies with varying usage of online and offline methods. Some use the contract to procure only air travel, others use it for air and hotel (Brussels hotels only as per the contract) and car hire. More and more private companies are using a travel expense management system (OBT) where all expenses related to travel; air, hotel, car, and subsistence/entertainment are captured on the same system, in this way making it more transparent and easier to control and analyse travel expenditure.

SUMMARY

The world of business travel is a valuable, innovative and technologically evolving industry. The opening up of new markets and the drive to expand business into new frontiers is a reality. Coupled with this is the requirement to develop new business relationships which must be nurtured through face to face meetings thus giving continued impetus to this sector. We have reviewed the role and function of TMC’s and technology in the travel industry

and the future challenges they face. The various models of travel management gives us an insight into how the travel industry operates and provides a framework that can be compared against the research findings when examined in more detail and assist in establishing what can we learnt by both the private and public sector in the management of air travel