Seven Travel Cost Saving Strategies with Egencia

Introduction

Widely recognized as one of the top three most controllable expenses, travel and entertainment costs, and business travel costs in particular, are expected to continue to rise this year.

The National Business Travel Association’s (NBTA) 2008 U.S. Business Travel Overview & Cost Forecast predicts average airfare increases of 6 to 10 percent, hotel rate increases of 5 to 7 percent and car rate increases of 5 to 7 percent.

Although the amount of company travel can be restricted, every CFO recognizes that travel remains an essential component of any business and there are limits to possible reductions.

Given that many employees must travel for work, reducing average trip cost represents the greatest savings opportunity to most companies. In this white paper, we’ll explore seven strategies to effectively lower your company’s overall travel expenditures, based on our experience at Egencia™ and the experiences of our most successful customers.

Strategy #1: Improve Travel Policy Enforcement

To help curb expenses, 88 percent of companies in a recent NBTA survey have some level of mandate in place to enforce travel policy compliance. The chart below illustrates the actual savings realized by Egencia customers as a result of employees booking in-policy.

For every 1,000 trips incrementally booked in-policy, the average savings are $302,000. For a company spending $5 million annually on airfare, that equates to a 14 percent increase in policy

<table>
<thead>
<tr>
<th>Travel Product</th>
<th>Average Savings vs. Out-of Policy Purchases*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Economy Air</td>
<td>$178 per ticket</td>
</tr>
<tr>
<td>Hotel</td>
<td>$105 per stay</td>
</tr>
<tr>
<td>Car</td>
<td>$19 per rental</td>
</tr>
</tbody>
</table>

*50 Largest accounts, January - June 2007
compliance, which is not an unrealistic goal for many companies. One company that previously handled all reservations through internal travel arrangers allowed its employees to self-book with Egencia and has consistently enjoyed over 90 percent compliance across its air, car and hotel bookings.

**Enforcing a Policy Mandate**

To effectively enforce a policy mandate, it is important to make it easy for employees to identify in-policy travel options at the time of purchase. Egencia’s online booking technology is specifically designed to:

- Highlight the best in-policy travel options available
- Display alternative in-policy options when out-of-policy selections are made
- Require employee justification of out-of-policy purchases using company-specific reason codes
- Provide e-mail notification to the travel manager and employee’s manager if an out-of-policy purchase occurs, and if desired
- Require pre-trip approval prior to allowing out-of-policy purchases to proceed

Travel Managers have access to online charts and reports that allow them to track compliance, investigate out-of-policy purchases, and identify top-spending travelers to monitor their performance toward their company’s policy objectives. Policies can immediately be adjusted to address any issues identified. With Egencia, your company’s ability to enforce and sustain a policy mandate is greatly improved.

**Strategy #2: Maximize Use of Online Booking Technologies**

Booking travel online can both decrease service fee expenses and reduce trip costs by presenting employees with a wider variety of low cost, in-policy travel options to choose from. 42 percent of companies surveyed by the NBTA\(^2\) either mandate or are planning to mandate the use of online booking tools.

**Lower Your Service Fees**

Reducing service fee expenses through online booking is very straightforward. Calling a corporate travel agent can cost $30 - 40 or more while Egencia’s online fees are just $5 - 7, depending on the service package selected. These lower fees equate to $23,000 - 35,000 in savings for every 1,000 air transactions booked online.

**Empower Employees to Make Smarter, Lower Cost Travel Choices**

Frequently described as the ‘visual guilt’ effect, when booking online, employees tend to choose lower-cost itineraries than when they call an agent. Online, employees can:

- Consider a greater number of travel options
- Easily identify options that are out-of-policy
- Clearly see available negotiated air, car and hotel options

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These features make it easier to find a low cost, in-policy itinerary that meets their requirements. From a recent study of Egencia’s 50 largest customers, the chart at the top of the page clearly illustrates the extent of the online savings possible.

For every 1,000 domestic business trips booked online, these companies realized average savings of $121,000 (assuming 3 percent use of first class airfares). Combined with the fee savings mentioned above, the savings available from high online adoption is approximately $150,000 per 1,000 trips.

Plus, the average Egencia customer enjoys two unique advantages:

• 90 percent of transactions are booked online versus an industry average of just 52 percent
• 82 percent of transactions are booked online during the first 75 days of launching their program with Egencia

Fee savings are not only greater, but immediate for our customers.

<table>
<thead>
<tr>
<th>Travel Product</th>
<th>Average Savings Online vs. Via Agent*</th>
<th>Average Dollars Saved*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Economy Air</td>
<td>11% Savings</td>
<td>$51 per ticket</td>
</tr>
<tr>
<td>Domestic First-Class Airfares</td>
<td>18% Savings</td>
<td>$168 per ticket</td>
</tr>
<tr>
<td>Hotel Nightly Rates</td>
<td>13% Savings</td>
<td>$54 per hotel stay</td>
</tr>
<tr>
<td>Car Daily Rates</td>
<td>8% Savings</td>
<td>$13 per car rental</td>
</tr>
</tbody>
</table>

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Strategy #3: Consolidate Spend with a Travel Management Company

As procurement best practices are increasingly applied to travel expenditures, companies are mandating the ‘single-sourcing’ of travel through a preferred Travel Management Company (TMC). This consolidation of spend helps reduce costs by ensuring that employees are always subject to company policy and can always access available corporate negotiated fares at the time of purchase. A recent study of air purchases by Topaz International confirms the value of spend consolidation, finding that “business travel itineraries booked by a designated corporate travel management company averaged $56 less than the exact same itinerary booked on a public internet site.” Combined with Egencia’s strong reporting tools, consolidation also provides the complete spend visibility required to effectively manage your program and maximize your negotiating power with suppliers.
Customer Success Highlight

By increasing the use of Egencia hotel rates from 50 - 80 percent of reservations, the average nightly rate for FTD increased just 3 percent from 2005 to 2007 while industry averages increased by 10 percent or more.

Make Consolidation Easy for Employees

Achieving spend consolidation can be difficult, especially if employees are used to choosing where to purchase travel, often at online agency sites such as Expedia.com. According to the NBTA®, the new generation of business travelers is tech-savvy and expects access to the latest technology, which is something that many TMCs cannot offer.

Egencia makes consolidation easier by providing intuitive, familiar travel technology that employees want to use. When Logicalis, an IT solutions provider, mandated the use of Egencia, all employees created their traveler profiles within just two weeks and the company quickly achieved 99 percent spend consolidation.

Consolidate your company’s spend with a single TMC to reduce costs through 100 percent policy enforcement, improved negotiated rate usage, and increased leverage with preferred suppliers.

Strategy #4: Maximize Negotiated Rate usage

Maximizing the use of corporate negotiated rates increases your company’s ROI from these agreements and can improve your ability to acquire deeper supplier discounts in the future.

Our 50 largest customers are experiencing high usage of negotiated rates and significant savings as a result (see chart above).

Based on these figures, 1,000 incremental trips booked using negotiated vs. published rates equates to an average savings of $44,000. In 2007, a Fortune 500 company using Egencia increased their domestic negotiated air usage from 47 - 64 percent of their total purchases, an increase of nearly 2,000 negotiated air transactions vs. the previous year.

<table>
<thead>
<tr>
<th>Travel Product</th>
<th>Negotiated Rate Usage*</th>
<th>Average Savings vs. Published Rates*</th>
<th>Average Savings*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Air</td>
<td>40%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economy Negotiated Air</td>
<td>40%</td>
<td>5%</td>
<td>$21 per ticket</td>
</tr>
<tr>
<td>First Class Negotiated Air</td>
<td>40%</td>
<td>8%</td>
<td>$67 per ticket</td>
</tr>
<tr>
<td>Negotiated Hotel Rates</td>
<td>30%</td>
<td>6%</td>
<td>$22 per stay</td>
</tr>
</tbody>
</table>

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Encouraging Negotiated Rate Usage

A company’s negotiated rate usage can be improved using booking technologies that encourage employees to select these rates when booking online. At Egencia, we have helped customers:

- Increase negotiated air rate usage online by 5 percent
- Increase negotiated hotel rate usage online by 7 percent

This was achieved by clearly labeling preferred rates and sorting them to the top of the search results. Employees are even choosing lower cost negotiated rates online as a result of having the full spectrum of rates available. Leverage Egencia’s ability to promote negotiated rates to your employees and optimize the ROI from your preferred supplier agreements.

Strategy #5: Leverage TMC Supplier Agreements

To augment your company’s negotiated rates, Egencia offers access to discounted rates that we have negotiated directly with suppliers. Promoting the use of these rates can result in additional savings, particularly in situations where a corporate negotiated rate is not available.

Egencia hotel rates are a perfect example. By leveraging the combined purchasing power of Expedia’s leisure customers and Egencia’s business travel customers, Egencia is able to offer discounted rates at over 42,000 hotels worldwide.

In 2006, customers who took advantage of our Egencia™ Preferred Rates saved an average of 8.8 percent vs. published hotel rates, or $24 per hotel stay. Take advantage of Egencia’s negotiating power to reduce your company’s average trip costs.

Strategy #6: International Travel – Rely on the Experts

International travel is the one exception where encouraging travelers to call an agent can actually be more cost effective than booking online. Employing the assistance of an international travel expert can greatly reduce the cost of complex, multi-leg, or remote international travel.

Egencia offers an International Rate Desk whose team members review proposed international itineraries for a modest fee and identify opportunities to reduce the cost of the journey. 48 percent of the time they uncover a savings opportunity, with an average savings of $2,100 per airfare for an average of $950 in savings per itinerary reviewed. Turnaround time for reviewed itineraries is typically four hours.

While international travel may represent a small percentage of your company’s overall spend, the International Rate Desk represents another opportunity for savings that requires little effort to implement.

Customer Success Highlight

A consolidation effort at Six Flags, an Egencia customer, led to average air ticket prices dropping from 16 percent above the industry average to 12 percent below within just six months.
Strategy #7: Maximize Utilization of Unused Tickets

Finally, maximizing the utilization of unused tickets can often be a great source of savings for companies. Although many tickets are labeled ‘non-refundable’ they actually can be reapplied for a fee towards a new itinerary with the same airline for a period of up to a year. For many business travelers, tracking these unused tickets is not a priority; the e-mail receipts are misplaced or deleted and the value of the ticket is lost to the company.

Since 2004, Egencia has helped customers to maximize the utilization of their unused tickets by:

- Tracking all unused tickets for each employee on their individual home page
- Reminding employees at the point of purchase whenever they select an itinerary where an unused ticket can be applied
- Providing Travel Managers with up-to-date online reports of all unused tickets and their expiration dates

Assuming an average ticket price of approximately $450, the funds recovered from the utilization of each unused ticket is approximately $318 ($100 airline fee + $32 agency fee). The unused ticket savings can add up quickly, particularly for those companies where employee travel plans change frequently.

Summary

With average costs continuing to rise, leading companies are facing a growing need to exercise greater control over their company’s travel expenditures.

At Egencia, we are in full agreement with our customer, Nikon Precision, who frequently reminds its employees that, “Every travel dollar saved goes directly to the company’s bottom line.” The seven strategies we’ve outlined above have been proven by our customers to help reduce their travel expenses and add those dollars to their bottom line. With average air, car and hotel costs expected to rise, we encourage you to consider implementing several or all of these strategies to reduce one of your company’s largest controllable expenses.

In each strategy, you’ve likely noticed that there is a requirement for employee participation or compliance. At Egencia, we pride ourselves on our ability to provide customers with the tools they need to make it easy and enjoyable for employees to support their travel program goals. If you would like to discuss how to implement any of the above strategies effectively using Egencia, please contact us for a free consultation.
About Egencia

Egencia is the fifth largest travel management company in the world. As part of Expedia, Inc., (NASDAQ: EXPE), the world’s largest travel marketplace, Egencia helps business get ahead by offering the only truly integrated corporate travel service. Egencia’s industry expertise and the partnerships the company has built help drive results that matter, delivering meaningful advancements that have a real impact. By combining a powerful offline and online service, Egencia delivers a complete corporate travel offering supported by global market expertise and a best-in-class technology platform.

Footnotes

3. Susan Steinbrink, Corporate Travel Distribution Key Markets (PhoCusWright, August 2006)
Egencia integrates the strength and technical innovation of Expedia, Inc. with the customer service, business intelligence and policy oversight of a world class travel management company.

Trusted as a leader among the top five global corporate travel management companies, Egencia takes a customized approach that speaks to the specific needs of each client.

Whether a growing local business, a prominent multinational corporation, or anything in between, Egencia develops corporate travel solutions to optimize the value in your corporate travel program.

Are You Ready to Get Ahead?

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