



Steven Yu, Travel Manager, oversees all corporate travel and expense management for LG Electronics USA is (LGEUS) and helps manage three other

divisions: New Jersey (LG CNS), Alabama (LGEAI) and California (LGEMU). Each division has its own travel manager who works with Steven.

LG Electronics U.S.A., Inc.: Based in Englewood Cliffs, N.J., LG Electronics USA, Inc., (LGEUS) is the North American subsidiary of LG Electronics, Inc., a \$48.5-billion global force in consumer electronics, home appliances and mobile communications. In the United States, LGEUS sells a wide range of digital display and digital media products, digital appliances and mobile phones under LG's "Life's Good" marketing theme.

LG Electronic's annual travel spend is approximately \$3.1 million in air spend, \$373,000 in car rental, and \$1.0 million in hotel bookings.

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Best Practice Case Study

Transforming an Audit Concern into a Recognized Success at LG Electronics USA

Armed with the unflattering results of an internal travel program audit at LG Electronics USA, General Affairs Team & Steven Yu addressed the company's cost, control and visibility concerns by implementing a more efficient and well-managed travel program with Egencia.

Taking LG's Travel Program to the Next Level.

With a clear understanding of his current program's weaknesses, Steven spearheaded an effort to re-design the company's travel program to achieve the following objectives:

- Reduce service fees and overall travel program costs
- Track unused tickets to ensure they were being applied appropriately to future company travel.
- Provide employees with a travel approval process that was easy to use and difficult to circumvent.
- Compile an accurate picture of travel spend to strategically manage LGEUS's travel program and allow them to negotiate discounted rates with certain suppliers.

Steps to Success

Analyzed Offerings of Online Travel Companies

Steven analyzed the offerings of the major travel management companies and assessed their abilities to help LGEUS achieve their goals. With the ability to offer complete control and visibility over all agent-assisted and online transactions, Egencia was determined to be the best choice. Egencia provided a comprehensive suite of traveler, management and reporting tools necessary to manage LGEUS's travel program effectively.

Run 3-Month Pilot Program

As a first step, Steven prepared a proposal to move LGEUS's travel management to Egencia. He suggested that they run a three-month pilot project with the administration department within the sales group to test and optimize the new program. The pilot group was trained on the new program, including the new approval processes, prior to launch.

Identifying Travel Program Goals

In 2006 the, LGEUS travel program at the New Jersey headquarters was audited internally and it became apparent that the controls needed to be tightened in order to ensure the program was achieving the goals for which it had been designed. At the time, LGEUS was using a local travel agency to book their corporate travel. The audit highlighted four areas of concern:

- **Increasing Cost:** Bookings fees with the agency were \$30 per transaction. With nearly 50,000 trips annually, those fees were becoming a significant portion of the company's overall travel expense.
- **Out-of-Policy Bookings:** While LG required all travelers to obtain supervisor approval prior to booking travel, the compliance of this pre-trip approval policy was difficult to monitor and the agency had on occasion circumvented the process in order to increase sales. In addition, the approval system did not provide the cost of the comparable lowest logical fare to the approving supervisor to assist them with evaluating the approval request.
- **Missed Opportunities:** LGEUS had no effective mechanisms in place to track unused tickets. As a result unused tickets were often not being applied against new bookings, resulting in missed savings. Reduce travel agency and direct supplier expenses.
- **Lack of Transparency:** The company's former agency was unable to provide regular summaries of LGEUS travel spend, by travel type or Suppliers made it difficult to have an accurate picture of true travel expenses. While Steven had a hunch that overall air travel spend was large enough to warrant negotiated rates, the lack of information made it impossible to approach suppliers for a discount.

Survey Pilot Program Participants

LGEUS administered a survey at the conclusion of the pilot program that asked participants a series of questions related to ease of use, efficiency, breadth of travel options, pricing and overall satisfaction with Egencia. The survey result revealed an 85% satisfaction rate. Steven felt confident that Egencia was the travel management company of choice.

Obtain Approval to Mandate New Program Division-Wide

Based on the success of the pilot program, Steven received the go-ahead to launch Egencia's system throughout the division. Presented as a new company policy and not a choice, the upcoming launch of Egencia within the division was announced internally by the CEO and supported by senior management group

Training of Employees Prior to Launch

With the support of the Egencia Account Manager, multiple on-site training sessions were scheduled for employees over 3 days prior to the launch.

Web training was organized for those employees who were unable to attend in person.

Program Launch in New Jersey Headquarters

Steven admits that it was hectic converting from the local agency to the Egencia initially, but his Egencia Account Manager was always there to support the process and "walk through the steps from beginning to end." Employees quickly appreciated the ease of Egencia's online travel system and became comfortable using the tools.

Promote Success of Program Internally?

During a monthly business review meeting soon after the launch of the program, Steven's vice president reported the potential travel savings to the CEO and the heads of other departments. All of the executives were very impressed with the report and spread the word of the program's success to the other divisions.

Expansion of Program to other LGEUS Divisions

When LGEUS initially launched the new program in its New Jersey headquarters, its two other divisions had their own travel programs and were satisfied with the systems they had in place. As a result of the business review meeting, employees in Alabama and San Diego became aware of the success of the Egencia roll-out in New Jersey and they began asking to be included in the program. Egencia was rolled-out to Alabama in July 2007 and to San Diego in November 2007.

LG Baseline Policy at a Glance

Air

- **Class of Service:** All non-coach class out of policy
- **Advance Purchase Settings:** 14-day minimum, 365 day maximum
- **Lowest Fare Tolerance:** ▪ Up to \$150 above the lowest logical fare is in policy
- **Web Fare:** In policy
- **Reasonable Flight Parameters:** ±120 minutes in departure window, Up to 90 minutes longer, Maximum of 1 connection

Air

- **Hotel Per Diems:** \$150 Domestic per diem, six city-specific rates
- **Negotiated Rate Policy:** Non-negotiated rates are in policy
- **Egencia Merchant Hotel Inventory:** Merchant rates are in policy
- **Negotiated Rates:** Merchant rates are in policy

Car

- **Preferred Vendors:** None
- **Car Class Policy:** Economy to full-size in policy
- **Car Search Results:** Display rates from all vendors

Demonstrate Success to Global Head Office

After the launch of Egencia within LGEUS, their parent company in Korea developed their own travel program and encouraged all their subsidiaries to implement it. Management at LGEUS felt so strongly that their current program was the best solution for other divisions that they presented the case to their head office. Senior management was very impressed with Egencia's capabilities and agreed that it was a much better fit for their North American travelers. In fact, they are planning to launch an Egencia-based program within their Canadian division.

The Post-Implementation Results

Since Steven launched the new LGEUS' program in 2006, he has achieved all of his key program objectives.

Significant Savings

With a 96% online adoption rate, booking fees have dropped from \$30 to an average of \$7 per transaction, saving the company close to \$1 million a year in booking fees alone. Although accurate historical data is not available from the previous agency, Steven believes that his travelers are benefiting from the broader access to travel options and LGEUS is seeing results in the form of reduced overall travel expenses. Average domestic and international air ticket prices are now both below the industry average.

More Efficient and Effective Approval Process

Egencia's integrated approval process, TripController™, allows employees to request and obtain appropriate approval for travel within a single, integrated booking system. The approving supervisor is able to view all details of the itinerary and make a quick but informed decision. Average in-policy airfares are nearly 30% less than average out-of-policy purchases

Now that LGEUS has a history of rising traveler compliance with their new program, they are considering managing travel bookings on an exception base, with only out-of-policy itineraries requiring supervisor approval.

Improved Unused Ticket Tracking

LGEUS now automatically tracks unused tickets and reminds employees when there is an opportunity to apply them against a new booking. These credits with airlines are no longer wasted and LGEUS **has saved at least \$20,000 a year.**

Transparency Across All Divisions

Travel data from all three divisions is now captured in a single database and is available in numerous online report formats for any time period. With the inclusion of all three divisions, Steven is now able to track travel spend consistently across the USA. With the help of Egencia Account Manager, he is now in negotiations with a major airline to negotiate a set of discounted fares for LGEUS.

Since launching Egencia, Steven has reduced the amount of time spent managing the company's travel program from 35-40% to 10%

Reporting at All Levels

Many different groups within LGEUS are interested in the reports Steven is now able to produce. With department codes included in each traveler profile, Steven can easily create quarterly reports for management detailing average ticket price, advance purchases, unused tickets and hotel nightly rates across the entire company or for a specific department. The audit department is impressed with the monitoring capability afforded by the reports and the individual divisions have developed a healthy competition among themselves to see who has been most successful in minimizing travel costs. Now that's a competition that management likes to see!

Time Savings

Before the launch of Egencia, Steven spent 35-40% of his time managing the company's travel program. The process of dealing with the agency was cumbersome and time consuming. All of the invoicing for the division's travel spend was handled by his department. Now the expense reporting and payment is handled easily by each individual traveler and since "the system runs by itself" the management of the travel program has been reduced to 10% of Steven's time.

As a result, he has been able to take on more responsibility and reduce head-count in his department by one. The success of the new program was actually a factor in Steven's recent promotion within the company.

Next Steps

Going forward, Steven is continuing with his plans to launch the Egencia program in the Canadian division to improve control and cost savings in that country as well.

In addition, LGEUS is close to signing new negotiated rate agreements with two major U.S. airlines as a result of consolidating LGEUS travel spend from its three divisions and having the data available from Egencia to demonstrate the company's ability to deliver the transaction levels required by the carriers.

A Few Words of Advice from Steven

"One of the key factors in the successful launch of Egencia at LGEUS was the support the program received from our CEO and the top executives. They really wanted the visibility, control and savings that were possible and were instrumental in fostering the right attitude within the company towards making the change. With their continued support, we're now able to expand the program to other countries such as Canada."

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