

The Wire...from AirPlus International.

(North America Edition)

Procurement or Finance: Reporting Structures for Travel Buyers.

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.



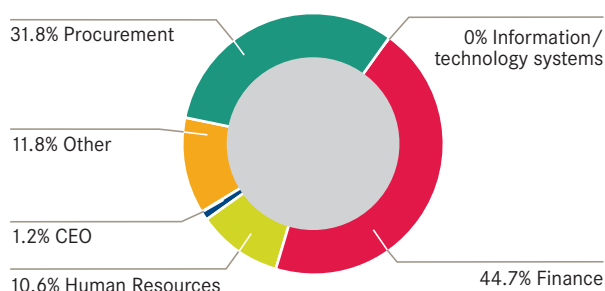
While travel buyers indicate a variety of reporting structures within their organizations, priorities are in lockstep for the practice of travel management.

In the past 10 years, the practice of travel management has broadly evolved to incorporate more disciplined procurement practices, ranging from greater internal scrutiny of how travel dollars are spent to better capture and analysis of data and how that information is applied to supplier negotiation, contracting and management. That said, procurement itself has not wholly taken on the mantle of travel management; indeed, for the majority of companies surveyed by AirPlus International, travel management does not report through a procurement department. Rather, finance controls the purse strings for travel management more often than procurement, but in most cases—no matter what department is responsible for the category—the priorities of travel management are the same: controlling costs and ensuring traveler safety and security.

Among travel managers surveyed by AirPlus, 32 percent report through procurement, while 45 percent report through finance. Nearly 11 percent were managed through human resources and 1 percent reported straight to the CEO. Twelve percent of respondents reported “other” reporting structures, but patterns emerged among those respondents,

For this issue of *The Wire*, AirPlus International surveyed 98 corporate travel buyers in North America from April 23 to May 7, 2013. Forty-seven percent of respondents reported annual travel spend above \$10 million and 20 percent reported spend above \$50 million.

Through which of the following departments does travel management report in your company?



showing that about 4 percent of respondents overall reported through corporate operations and another 3 percent reported through administration/corporate services.

Travel program size emerged in the survey as a key indicator of organizational structure for travel management. Companies with the largest travel spend were more likely to position travel as a procurement role: 44 percent of travel managers with responsibility for \$25 million or more in annual spend reported through procurement, while just 16 percent of travel managers at the same spend levels reported through

On a scale of 1 to 5 (1=light influence, 5=heavy influence), please rate the following influencers on your company's travel program/policies.

Cost control	4.13
Traveler safety / security	3.84
Supplier management	3.42
Technology integration / data capture	3.42
Revenue growth / sales	3.01
ROI of business travel	3.18
Employee retention / traveler centricity	2.81
Virtual travel alternatives	2.51
Green / environmental issues	2.19

finance. In contrast, 47 percent of travel managers responsible for midsize programs (\$5 million to \$25 million in annual travel spend) reported to finance.

Building on the preliminary results, the larger goal of the survey was to understand how or if reporting structure influenced the priorities of travel management. The answer to that question, at least among the travel buyers surveyed, was an emphatic “no”. Regardless of the organizational structure identified, travel management professionals showed very similar priorities across the board.

Cost control was the number-one priority, pegged at 4.13 on a scale of 1 to 5, with survey respondents asked to rate how heavily this concern influenced their programs. Forty percent of respondents indicated cost control was a “significant” influence and another 40 percent noted the “heavy” influence of cost control. Traveler safety and security, rated 3.84 on the same scale, was the second highest priority. Twenty-five percent of respondents noted “some” influence, 40 percent identified “significant” influence and 27 percent said safety and security was a “heavy” influence in their program. These top two priorities were followed by supplier management and technology integration/data capture, which were both pegged at 3.42.

Variances in priority level of factors outside of cost control and traveler safety/security could be surprising. For example, the use of virtual travel alternatives, which is largely considered to be not only a cost savings opportunity, but also a work-life balance issue received only the slightest attention from travel managers reporting through human resources departments. Just 11 percent of travel managers reporting through HR rated this factor as a “significant” influence and none rated it a “heavy” influence. Contrast that with travel

buyers reporting through procurement where nearly 20 percent noted “significant” influence. While this could be explained by assuming travel managers reporting through HR represented smaller companies that do not have the resources to maintain virtual travel alternatives, the opposite was true among this group of survey respondents. More than two-thirds of travel buyers in the survey, who reported through HR, managed travel programs of \$25 million in annual spend or more.

Another surprise: Travel managers reporting through procurement showed more concern with employee retention/traveler centric policies than buyers reporting through either finance or HR. One-third of buyers reporting through procurement noted “significant” or “heavy” influence from this concern, while less than one-quarter of buyers reporting through finance or HR were influenced by this issue.

There were other influences that were not a surprise: Travel managers reporting through finance and procurement cared more about the ROI of travel than their HR-oriented counterparts. Forty-seven percent of finance-aligned buyers and 41 percent of procurement-aligned buyers noted “significant” or “heavy” influence here. Another expected result: When it came to supplier management, two-thirds of procurement-oriented buyers noted “significant” or “heavy” influence, much higher than the other two groups.

Asked about changes in the last 12 months in the level of internal scrutiny over travel management practices and pressure to optimize programs, 55 percent of respondents overall reported increased scrutiny/pressure, while 44 percent said it was about the same as the previous 12 months. Only 1 percent of respondents indicated less scrutiny. Areas in which the increased pressure was applied clearly aligned with priority levels: cost savings, traveler safety and policy/preferred supplier compliance.

AirPlus International, Inc.

225 Reinekers Lane, Suite 500

Alexandria, VA 22314 USA

T +1 (703) 373-0940

F +1 (703) 373-0941

usa@airplus.com

www.airplus.com

www.airpluscommunity.com