



Corporate Travel Policy
Benchmarking and Insight **2011**
An Industry-Wide Research Study

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Corporate Travel Policy Benchmarking and Insight 2011

Introduction

Welcome to the 2011 Corporate Travel Policy: Benchmarking and Insight study, conducted by the Global Business Travel Association Foundation and sponsored by Egencia, and Expedia Inc. Company.

Travel policy is the foundation of effective travel management. Organizations that implement and enforce travel policies can direct travelers and gain optimal value for each trip, and maximize returns from investments in travel. Organizations without effective travel policies lack the controls and information needed to optimize the value of their investment in business travel.

This report updates and expands the study of corporate travel policies and management conducted by the GBTA Foundation and sponsored by Egencia in 2010. The 2010 study clearly established the effectiveness of travel policy to help organizations minimize corporate travel costs. By analyzing savings available using different policies separately and in combination, the study determined that:

- Purchasing non-refundable tickets alone saved an average of 49% - \$572 per ticket - on US domestic routes.
- Purchasing non-refundable tickets alone saved an average of 56% - \$1,875 per ticket – on routes between the US and international gateways.
- Windows and connections, which are common elements of Lowest Logical Fare definitions at most companies, reduced fares another 38% on domestic US fares in addition to the savings realized by purchasing non-refundable tickets.
- Windows and connections reduced fares another 65%, in addition to the savings realized by purchasing non-refundable fares, on flights between US and international gateways.
- Advance Purchases of tickets increased savings that can be obtained even further, with the amount of incremental savings dependant on how far in advance tickets are purchased prior to departure.

Like the 2010 study, the 2011 study is based on a survey that explored travel policy and management at a broad range of companies and other organizations that spend widely varying amounts on travel each year, from less than \$250,000 to more than \$1 Billion. Specifically, it asked respondents about the:

- Impact and enforcement of their travel policies
- Use of Travel Management Companies (TMC's), Online Booking Tools (OBT's), and Per Diems,
- Policies promoting preferred Air, Hotel, and Car Rental Suppliers,
- Lowest Logical Fare definitions including Windows, Connections, Non-Refundables, and Advance Purchase fares,
- Meetings Management practices and Emergency Preparedness.

The 2011 study covers many of the same topics as last year's survey, in order to track changes in travel policies and practices year-over-year. It also explores the way in

which commercial travel buyers are grappling with the challenge of newly introduced ancillary fees and services.

The objective of the two studies is to answer questions that many organizations have about travel policy, specifically:

- How their policies compare to the industry?
- Whether their travel policies are too short or too long, and whether they cover the right topics?
- If their travel policy strikes the right balance between the comfort and convenience desired by travelers, and the cost control every organization needs?
- How are buyers changing policies in response to changing economic conditions?
- How are organizations responding to the fees for ancillary services that seem to comprise an increasing share of airfares and hotel bills?

The analysis focuses on year-over-year changes in responses, as well as differences based on travel volumes and the departments where travel reports. The end result is a comprehensive overview of what buyers include in policies, as well as an overview of the spectrum of policy options available.

Appendices and Survey Data

This report distills and summarizes the major insights gleaned from the survey data and the study of the impact of policies on airfares. However, we appreciate that some readers will want access to the actual data. Accordingly, the results are in the online version of this report, along with several cross-tabulations of the data prepared for this report including:

- Report Methodology
- Summary of Survey Responses
- Comparison of survey responses by annual travel spending tiers
- Comparison of responses by reported functional area of travel management
- Comparison of responses based on policy type (mandate vs. guideline).

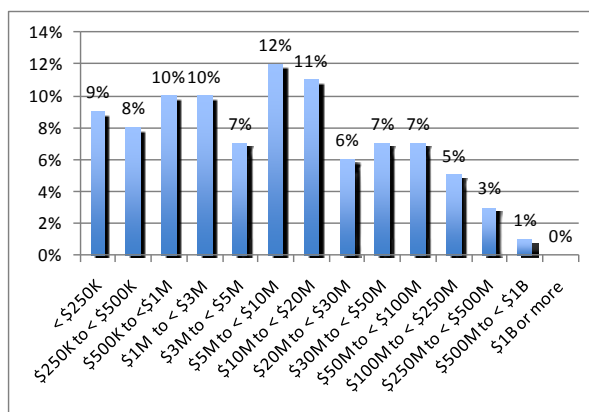
Profile of Survey Respondents

Between April 20 – May 7, 2011, the study partners sent 5,503 invitations to a combined list of GBTA direct members, and Egencia corporate customers and prospects. There were 651 respondents who answered at least one question in the survey, yielding a 12% response rate. This is a similar number and response rate to the 2010 survey, which garnered 689 respondents. Like last year, the majority of North American respondents were from the US, however 18 Canadians did participate.

Size of Respondents Travel Spend

Respondents came from a wide range of companies and organizations with varying levels of annual travel spend. Overall, the median spend of companies represented in this study is \$5 to \$10 million (M). Nine percent came from companies spending less than \$250,000, with the remainder of respondents distributed somewhat evenly, between companies that spend between \$5M - \$10M, representing the largest group at 12% of total responses.

Chart 1: Distribution of Survey Respondents by Travel Spending



The distribution curve then tapers off gradually to companies that spend between \$500M - \$1Billion (B), representing 1% of the respondent pool. Two respondents (3/10 of one percent) were from companies that reported an annual travel spend of over \$1B.

Similar to 2010 findings, the 2011 study found interesting correlations between annual travel spending (also referred to in this report as program or company 'size' or 'volume') and the other aspects of travel policy and management.

To highlight these differences we have combined the above spending groups into four levels of annual travel spending: <\$1M, \$1M - <\$10M, \$10M - <\$50M, and \$50M+. This report will refer to these aggregated groups when discussing correlations between program size and other survey topics.

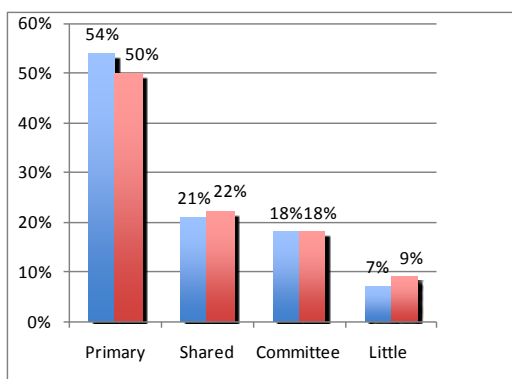
Responsibility for Travel Policy

The survey began with a series of questions about the respondents' roles in travel management at the organization they represent.

- 50% of this year's respondents have 'primary responsibility' for travel policy content, and recommend changes directly to C-Level Executives.
- 22% share responsibility for travel policy content, but don't make final recommendations on policy to the C-Suite.
- 18% are part of committees responsible for travel policy.
- 9% report that they have little input on travel policy content.

These responses are consistent with the 2010 survey as shown by the following chart:

Chart 2: Responsibility for Travel Policy
2010 vs. 2011



There is an apparent correlation between these responses and annual travel spending. At companies spending between \$1M - <\$10M, 50% of respondents have primary responsibility for travel policy, compared to only 38% of respondents at companies spending \$50M+ on travel. This is consistent with expectations about the hierarchical nature of very large organizations.

Where Travel Reports

The 2010 study then asked respondents where their travel department reports, i.e., to which department, and offered four choices: CFO/Finance, HR, Purchasing, and 'Other.' Since 25% of last year's respondents checked 'Other,' and listed numerous other functional reporting silos in their comments, and since the issue of 'where travel reports' has been debated perennially in the industry, this year's study expanded the number of response choices available to obtain a more detailed, granular, understanding of how buyers 'silo' this activity. Below is a summary of the results from both surveys:

Table 1: Comparing Travel Management Departments
2010 vs. 2011

LLF Criterion	2010	2011
CFO-Treasury	41%	29%
Human Resources	13%	10%
Purchasing/Procurement	21%	26%
Other/Don't Know/NA		9%
President/CEO/COO		12%
Administrative/Program Services		7%
Operations/Vendor Relations		4%
Meetings & Events		1%
Legal		<1%
Marketing/Communications		<1%

As expected, with more choices available, the percentage of respondents selecting one of the categories listed in 2010 declined. In the comments added by the 33 respondents who answered 'Other' in 2011, seven listed 'IT,' and four listed 'Real Estate.' Most of the other comments fit in with one of the categories listed above.

Increasing the number of choices offered did improve our understanding of where travel reports, as demonstrated by the decline in the percentage of 'Other' (including 'Don't Know' from 2010 and 'Does Not Apply' from 2011) responses from 26% to 9%. This year, more respondents found an accurate category e.g., 'Administrative or Program Services,' 'President/CEO/COO,' 'Operations/Vendor Relations,' or 'Meetings & Events,' that they viewed as applicable.

Notably, however, the percentage of respondents selecting 'Purchasing/Procurement,' increased from 2010 by 5% from 21% to 26%. While other factors may be in play, the jump is consistent with the widely held view that travel management is increasingly becoming a purchasing activity.

The size of respondents' travel budgets appears to be a factor in determining responsibility for travel management as shown in the table below:

Table 2: Where Does Travel Report?

Largest and Smallest Travel Budgets	Travel Spend <\$1m	Travel Spend \$50M+
CFO-Treasury	33%	22%
Human Resources	9%	6%
Purchasing/Procurement	3%	49%
Other/Don't Know/NA	14%	5%
Administrative/Program Services	7%	13%
President/CEO/COO	29%	1%
Operations/Vendor Relations	4%	5%

Travel is much more likely to report to a senior executive, including a CFO, at smaller companies, and move into 'procurement' or 'services' departments as travel spending increases.

Mandates vs. Guidelines

Like all directives, travel policies can be effective only if they are consistently applied and enforced. Many Travel Managers are concerned about this issue, and in pre-survey interviews described travel policies as 'more a set of guidelines' than other corporate policies that are consistently and rigidly enforced. Travel Managers who are concerned about fiscal responsibility are especially aggrieved by the lack of enforcement for travel policy. The 2011 survey confirmed that these attitudes have not changed.

- 61% agreed that travel policy represents "guidelines that employees should observe but that allows for exceptions" (down 1% from 2010).
- 36% agreed that their policy mandates represent "rules that employees are required to follow as a condition of employment" (up 1% from 2010).

Four percent of respondents do not have a written travel policy, which is up 2% from 2010. However all of these respondents were in companies spending less than \$10M per year on travel.

Companies with larger travel budgets are more likely to view travel policies as mandates than guidelines, which likely reflects the greater stake those organizations have in travel cost containment.

Table 3: Mandates vs. Guidelines based on Travel Spend

	<\$1M	\$1M-<\$10M	\$1M-<\$10M	\$50M+
Mandates	31%	36%	35%	45%
Guidelines	60%	61%	65%	55%
No Policy	9%	3%	0%	0%

These findings are essentially unchanged from the 2010 results. The relatively high percentage of companies that maintain a flexible attitude toward travel policy and enforcement continues to be a surprise.

Consequences of Exceptions

Travel Managers also express frustration with the lack of consequences for violations of travel policy. The 2011 survey did not show much change in management attitudes that would alleviate those concerns.

Table 4: Consequences of Policy Violations
2010 vs. 2011

	2010	2011
Mgmt requests future compliance	59%	56%
Possible Non-Reimbursement	19%	22%
Possible discipline or termination	5%	5%
No consequences	17%	16%

There has been a slight shift in consequence from 'slaps on the wrist,' i.e., requesting compliance in the future, towards possible non-reimbursement, but wrist-slaps is still the most common response to travel policy violations by far.

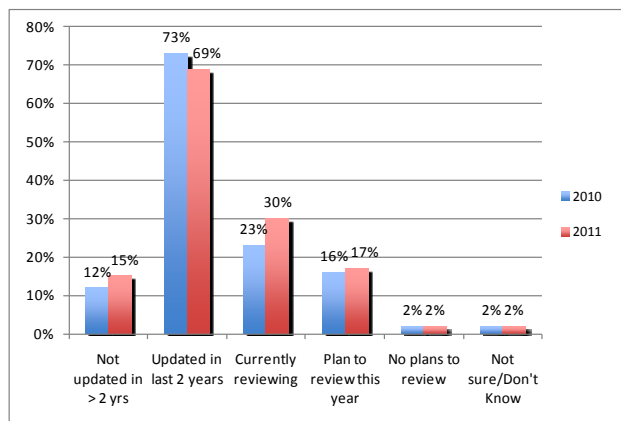
There is not much variation in these attitudes based on travel spend or reporting department. Respondents from <\$1M spend programs are more likely to request future compliance, and slightly less likely to threaten violators with non-reimbursement or other disciplinary action.

Travel Policy Updates

It is a long-established best practice that companies should review their travel policies at least annually to ensure that they still reflect current cultural and business realities. Unrealistic policies are more likely to be ignored in practice, which can lead to confusion, and undermine overall purchasing discipline and policy compliance.

Survey respondents continue to follow this best practice year-over-year, suggesting that this 'best practice' is in fact, well established. Sixty-nine percent of the 2011 respondents indicated that their travel policy 'was reviewed and updated within the last two years,' compared to 73% last year. Thirty percent of respondents are 'currently in the process of reviewing' their policies this year, an increase over 2010 results (23%). Another 17% plan to review their policies in the next 12 months, compared with 16% last year.

Chart 3: Updating Travel Policies
2010 vs. 2011



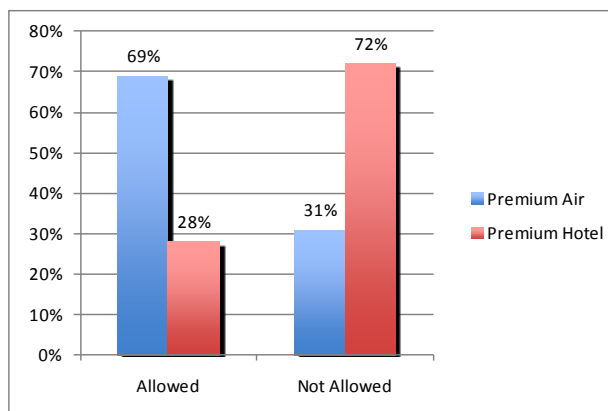
There is a statistically significant difference between the percentage of respondents 'in the process of reviewing the policy' based on annual travel spend. Only 18% of companies spending less than \$1M annually on travel have this initiative underway, compared with almost 36% in the other three spending tiers.

Limiting Business Class

Sixty-nine percent of companies that have updated their travel policies in the last two years limited the ability of travelers to fly business class. This is slightly more than the 66% of 2010 respondents who reported making this change.

There is a statistically significant difference between the percentage of the \$50M+ spend respondents that have imposed such restrictions (56%), and those spending between \$1M and \$50M annually on travel (74%). There is no significant difference in premium airfare authorization based on where travel reports.

Chart 4: Does Your Policy Allow Travelers to Book Premium Airline and Hotels?



Restricting Preferred Hotels

The 2011 survey presented a new question to respondents who have changed their travel policy in the last two years: whether they had 'restricted preferred and allowed hotels to certain tiers i.e., hotel class or star rating. Only 28% said that they have taken this step, compared to the 69% who restricted premium air travel in the same period. Presumably this reflects the relatively lower profile of hotels in most travel programs.

Many travel managers have increased their focus on hotel policies in recent years, as they have realized how significant this category can be as a source of cost savings. While the nominal price of hotels (e.g., \$200 per night) is lower than most fares, multi-day stays, taxes, and ancillary fees make hotels an important component of overall travel costs. There were no significant differences in responses based on travel spend or travel management silo.

Required Use of TMCs

One of the most fundamental elements in travel policies is the requirement to book all travel through a designated travel agency. Consolidating travel purchasing through a single TMC essentially creates managed travel programs. Benefits of consolidated purchasing through a TMC can include the ability to:

- Control the Point-of-Sale and direct travelers toward cost effective options.
- Track travel policy compliance and identify Out-of-Policy (OOP) bookings.
- Automatically identify, re-capture, and re-use unused tickets.
- Track, locate, and assist travelers in emergencies.
- Obtain management reports to develop cost savings strategies including negotiations with key suppliers.

For all of these reasons, “consolidation” of travel purchasing is the cornerstone of corporate travel management. With that said, it is not surprising that 72% of Travel Managers direct that business travel be reserved through a single designated TMC, and another 14% stipulate that travelers use one of several TMC's. Only 14% allow travelers to book with the TMC of their choice, or directly through suppliers. These response rates are identical to the 2010 survey.

The idea of ‘consolidating’ with multiple agencies may strike some readers as incongruous. Key goals of consolidation (e.g., consolidated management reports, consistent presentation of negotiated deals to travelers, and the ability to locate travelers in emergencies) can be accomplished with multiple agencies as long as each traveler in a company books through a designated agency.

Organizations can manage and coordinate with multiple agencies to track travelers and push information. Various third parties can consolidate management reporting from multiple agencies to present a single, ‘global’ view of management data to a corporate customer.

Organizations that ‘mandate’ policies are more likely to require the use of a single TMC (80%) than those that encourage ‘guidelines’ (69%). Larger organizations, presumably with more mature travel management programs, are more likely to consolidate with one or more designated TMC's than companies that spend less.

Table 5: TMC Usage Based on Travel Spend

	<\$1M	\$1M-<\$10M	\$10M-<\$50M	\$50M+
Single TMC Policy	54%	78%	81%	81%
Multi-TMC Policy	16%	11%	14%	13%
Travelers Choose TMC	30%	11%	5%	6%

Statistically significant differences are evident between respondents spending <\$1M on travel each year and respondents in the other spending tiers. Respondents with greater spend are more likely to use a single TMC, while the <\$1M group is more likely to allow travelers to choose where they book travel. It is also interesting to view the results based on the department to which travel management reports:

Table 6: TMC Usage Based on Reporting Department

	Purchase	Finance	HR	Pres/CEO	Admin Svc
Single TMC Policy	76%	73%	81%	67%	81%
Multi-TMC Policy	15%	18%	6%	6%	12%
Travelers Choose TMC	9%	9%	13%	27%	7%

Companies where travel reports to a Chief Executive, which generally have relatively small travel budgets, are less likely to mandate the use of a specific TMC, and significantly more likely to allow travelers to select their own booking channel.

Required Use of Online Booking Tools (OBT's)

Many travel managers have documented that booking travel online lowers both transaction fees and travel costs. As a result, these tools have been widely adopted as integral components of many managed travel programs. The challenge, of course, is how to allow managed travelers to book online without losing the benefits of consolidated travel management.

Several 'corporate' OBT's extend the benefits of online booking into managed travel programs, either as stand-alone products or as fully integrated into TMC support systems. These corporate OBTs generally require travelers to log in through a unique website address. Once logged in, travelers see displays customized for their organization. When travelers access travel services, their employers' preferred vendors can be highlighted, and negotiated discounts can be booked. The tools automatically 'flag' out-of-policy bookings, and can be configured either to prevent out of policy bookings, or to route them to designated approvers.

Another key difference between corporate OBTs and 'unmanaged,' or leisure travel websites, is that booking data is captured by the employers' designated TMCs. As a result, the same TMC agents that answer phone calls and make 'offline' reservations can support OBT bookings, including changes or cancellations. Also, data regarding online reservations is consolidated and reported along with the offline bookings, to prevent organizations from losing leverage in negotiations.

Survey responses reflect the continued reliance of buyers on corporate OBT's. In 2011, 55% of respondents state that travel should be booked "whenever possible" through a designated OBT, up 3% from 2010. Another 13% require that "some trips" be booked online. This is an insignificant decline of 1% from last year. The percentage of respondents who have an OBT but do not require its use (23%), and those who have no OBT deployed (9%) both fell an insignificant 1% compared to 2010.

The percentages of companies that require online booking for all trips is consistent regardless of spend. However, the largest spenders (\$50M+) are statistically more likely (20%) to require use of the OBT for "some trips" than companies spending <\$10M (10% on average for the two smallest spending groups). Also, only 1% of the \$50M+ group answered that they "do not have an OBT deployed," compared to 12% of respondents spending <\$50M.

Airline Class of Service

Whether a company allows business class travel to any or all destinations is often one of the first questions asked by outsiders evaluating another company's policy. All travelers can appreciate the comfort, convenience, and sense of privacy associated with premium-class air travel. However, those benefits come at a hefty price. Below are samples of economy and premium fares available in a sampling of domestic and international markets. The following table compares baskets of domestic and international fares available in May 2011 to illustrate the cost premiums between coach fares and first-class on North American domestic routes, and between coach and business class on intercontinental flights.

Table 7: Coach vs. Premium Fare Differences
North America Domestic

Route	Coach	First Class
Domestic	\$USD	\$USD
SFO-BOS	378	2809
JFK-LAX	338	1188
IAD-SAN	510	1298
ORD-MIA	216	1662
ATL-SEA	438	874
YYZ-YVR	761	2150
Total	2641	9981
Average	440	1664

Table 8: Coach vs. Premium Fare Differences
North America Intercontinental

Route	Coach	First Class
International	\$USD	\$USD
JFK-CDG	1596	2578
LAX-TYO	1989	5851
ORD-MEX	553	2932
YUL-LHR	1517	3798
Total	5,655	15,159
Average	1,414	3,790

First class fares are 278% more expensive on domestic routes, and business class airfares averaged 168% more than coach on international routes. A company that purchased tickets on all the domestic and international itineraries listed in above would pay an additional \$16,844 to upgrade their travelers to premium class accommodations. Organizations looking to minimize travel costs clearly should try to minimize the use of premium air service.

The survey also asked which about the destinations to which respondents' authorize first and/or business class ('premium') air travel. A higher percentage of respondents allow premium class air travel to almost every region as summarized below:

Table 9: Changes in Premium Airfare Authorization
2010 vs. 2011

Destination	2010	2011	Change
Within North America	9%	10%	+1%
Any country in Europe	31%	33%	+2%
Some countries in Europe	14%	18%	+4%
South America	32%	32%	-
Asia-Pacific	44%	47%	+3%
India, Middle East, Africa	41%	42%	+1%
No Premium Class Allowed	47%	42%	-5%
Don't Know	2%	2%	-

While sometimes modest, the fact that there were increases in the authorization of premium class air travel are in line with recent headlines announcing the return of business class travel. The decline in the percentage of respondents who never authorize premium class air travel follows logically.

There is a striking division in the frequency with which respondents with higher and lower travel budgets allow travelers to purchase premium air travel. Only 30% of the \$50M+ respondents prohibit first and business class air accommodations in their travel policies compared to 58% of the <\$1M group. A significantly greater portion of companies with the highest travel budgets authorize premium class air travel to every region, than do organizations with lower travel budgets.

As noted previously, most of the travel programs reporting up to CEO/ Presidents are smaller organizations, it is not surprising that these programs are the most restrictive regarding premium air travel. Statistically, they are almost twice as likely to prohibit first and/or business class air travel (62%), as all other programs of which only 32% - 44% have such prohibitions. In fact, CEO-led travel programs authorize less premium class air travel, by a statistically significant margin, in every region except North America.

Lowest Logical Airfare

After assessing premium air travel, the next indicator used to assess travel policies is typically the company's definition of 'Lowest Logical Fare' or 'LLF.' The LLF concept is sometimes confusing because it is not – and for practical purposes cannot be – the absolute lowest fare in a market, which often would require multiple connections and/or extensive layovers. The LLF represents the lowest fare that is consistent with a corporation's travel policy.

In other words, LLF parameters allow travelers and TMC's to ignore certain lower fares that could be purchased if they would impose unreasonable delays on travelers. 'Reasonableness' in turn, is defined according to multiple parameters that comprise the LLF including:

Windows: Windows require that travelers accept flights that depart (or arrive) within a defined time earlier, or later than, the traveler's initial request. For example, if a traveler requests an 8 AM departure, a one-hour departure window would require them to accept lower cost fares that depart between 7 AM – 9 AM.

Overall, 78% of 2011 survey respondents include windows in their policy, down from 81% in 2010, but it is still the most popular LLF parameter. In 2010, the survey asked questions about the size of windows preferred by travel managers and learned that:

- 56% of respondents require travelers to consider lower fare alternatives departing up to 2-hours before or after their originally preferred departure time.
- 5% imposed a 90-minute window, and
- 19% limited the window to one hour.

The 2011 survey did not repeat these questions.

Connections

Connection rules require travelers to accept lower fares even if they require connections. Connection requirements generally are limited in terms of the amount of time they can add to an available non-stop itinerary. Some companies also define a minimum savings amount which a connection must realize before it is required.

While connections are recognized as a potentially important source of savings, they are not as frequently included in travel policies as windows. Travelers tend to avoid them, on the grounds that they reduce productive time.

While 57% of 2011 survey respondents require travelers to accept connections when savings are available, policies governing connections are more complex than most other parameters because the Global Distribution Systems (GDS) often finds low-cost connecting flights that can increase travel time dramatically, and often without yielding significant savings.

To take advantage of the savings available by requiring only reasonable connections, many organizations put policy limitations or 'fences' around connection requirements. In other words, they exclude connections from their definition of LLF, if such flights increase total travel time too much, and/or do not save a minimum amount of money.

In 2010, among those who specify a time limit on connecting flights, the most common limit was an additional 2 hours of travel time per trip. A smaller percentage of Travel Managers limited connections to 90 minutes (14%), or one hour (13%). However, another 11% indicated that there is no limit on connection times, and that travelers were required to take connections regardless of how much additional time may be involved.

The other parameter used by organizations to determine whether a connecting flight meets their definition of LLF, is the amount of savings at stake. In 2010, only 15% responded that "any" potential savings requires travelers to accept connections, and another 29% responded that even savings up to \$100 require travelers to accept connecting flights.

Most respondents required greater savings to justify the inconvenience imposed on travelers by connections:

- 34% required at least \$100 - \$200.
- 12% required savings of at least \$200 - \$300, and
- 10% required savings over \$300.

Alternate Airports

These rules require that travelers accept flights to or from other airports in the same metro-area as the airport originally requested by the traveler. There are frequently significant price differences, and, therefore, significant savings available between flights to or from different airports in the same metropolitan areas. These savings are difficult to realize, for two key reasons.

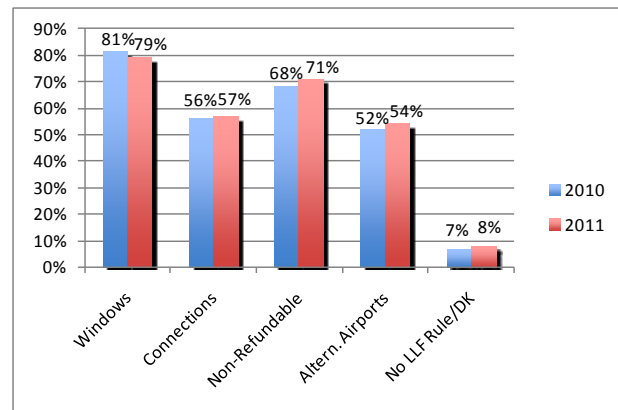
First, while the GDS systems compare fares automatically between some alternate airports in some cities, not all options in all areas are considered to be 'co-terminous' by the GDS. For example, in Chicago, the GDS will automatically compare fares between O'Hare (ORD) and Midway (MDW) airports, but will not look at Milwaukee (MKE) which is only 59 miles north of O'Hare, and much easier for travelers based north of the city to access than MDW. A few other examples of possible alternate airports that the GDS may ignore are: Boston (BOS) – Providence (PVD) – Hartford (BDL) – Manchester (MHT), Newark (EWR) – Philadelphia (PHL), San Francisco (SFO) - San Jose (SJC), and Los Angeles (LAX) – Burbank (BUR) – Ontario (ONT) - Long Beach (LGB).

The other challenge in requiring the use of certain alternate airports is that their practicality depends on the relative location of individual travelers to airports in those metro areas, even in cities where the GDS offers alternatives automatically. An excellent example is the New York Metro area where the GDS will compare flight costs to/from EWR – La Guardia (LGA) and Kennedy (JFK) airports. The challenge is that the ground travel time for travelers based in New Jersey, could be 3 hours or more to JFK. Naturally the same challenge exists for travelers in eastern Long Island considering flights to/from EWR. Similarly, for a traveler in the Napa Valley, Oakland (OAK) may be a reasonable alternative to San Francisco (SFO) if several hundred dollars of potential savings are at stake. However, if the traveler were located south of SFO, closer to San Jose (SJC), OAK could require two hours of additional driving, especially during rush hour.

Given these practical challenges, policies requiring the alternate airports are less common than windows or non-refundables. Only 54% of respondents require travelers to consider alternate airports in 2011.

Given the number of parameters factored into the LLF concept, the specific definition of LLF often varies by company. The following chart highlights the relative stability with which companies have incorporated key LLF components into their policies over the last two years.

**Chart 5: Adoption of LLF Components
2010 vs. 2011**



Similar to the previous year, the 2011 survey highlights significant differences between the adoption of LLF criteria based on respondents' purchasing volume, as shown below:

Table 10: LLF Components by Travel Spend

LLF Criterion	Travel Spend <\$1M	Travel Spend \$50M+
Departure Windows	69%	86%
Non-Refundables	52%	87%
Accepting Connects	55%	47%
Alternate Airports	58%	52%

This table highlights that large organizations are more likely to impose windows, and require the purchase of non-refundable tickets than smaller companies. This is probably because window requirements are reasonable for almost all flights; departure windows have the practical effect of preventing travelers from dictating a specific flight or carrier by specifying a precise departure time.

Companies with smaller travel budgets, however, are more likely to require that travelers accept connections and use alternate airports. These criteria are more challenging to apply 'across the board' than windows because, practically, there are many itineraries for which either of these requirements could produce unreasonably burdensome requirements for travelers.

Non-Refundable Fares

Airlines usually make non-refundable fares less expensive than flexible tickets that have the effect of forcing travelers to pay for the ability to change or cancel flights. This year, 70% of responding organizations report that they take advantage of these fares by directing travelers to accept non-refundable tickets whenever they are available. This is a slight increase from the 68% reported in 2010. Larger organizations are much more likely to require non-refundables in their policies than smaller organizations.

Since TMC's today are able to identify unused non-refundable tickets, and automatically offer travelers the opportunity to apply their residual value to future trips, many companies encourage travelers to book non-refundable tickets unless there is a high likelihood that the trip will not take place as planned. Other companies have done studies to show that the cost of changing non-refundable tickets, especially multiple times on the same itinerary, negates any saving the original supplied, and in turn, allow travelers to purchase refundable tickets.

LLF and Ancillary Fees

The 2011 survey added a question asking whether respondents included ancillary fees (for checked luggage, etc.) in their LLF calculations. Only 11% of the 2011 respondents answered yes; 89% said no. As this report will explain later, it is difficult for travelers or their company's to assess many of these fees because information about ancillary service availability and cost is not included in the predominant GDS point of sale tools. Similarly, TMC reporting tools are not configured to measure ancillary fees booked. Companies that want to monitor and manage such fees are limited to post-trip credit card data and, if their internal systems are configured to capture and report on the data, traveler expense reports.

Use of Preferred Airlines

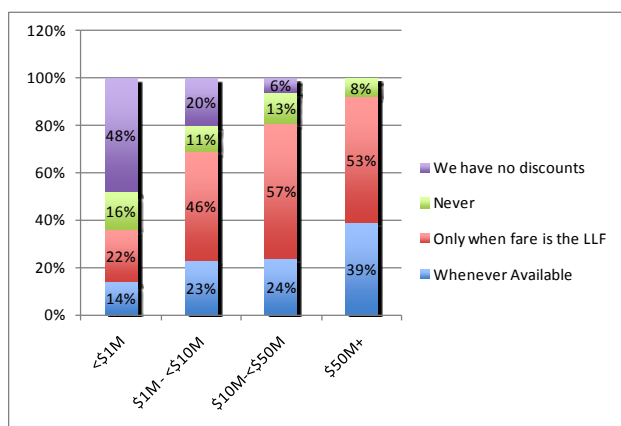
In addition to LLF rules, the ability to negotiate special discounts with airlines and other travel suppliers is a key reason why volume purchasers manage travel. Vendors, however, offer discounts only to get more of each account's business and incremental revenue than they would without the discount, and typically put minimum volume goals or 'hurdles,' in their discount contracts. Hurdles are designed to force accounts to 'move traffic' disproportionately to their 'preferred vendors.'

A challenge for organizations wishing to leverage negotiated discount contracts is whether they should require travelers to use preferred vendors, even if they are not otherwise the LLF as defined by policy. Some purchasers find that their greatest savings are achieved simply by purchasing the LLF available for each trip, sometimes referred to as 'spot buying.'

In the 2011 survey, 24% of respondents require travelers to accept flights on preferred airlines "whenever they are available."

Responses vary significantly with annual travel spending, however. As spending increases, respondents are more likely to require travelers to fly on preferred airlines only if that carrier also offers the LLF in the market. This is probably because smaller buyers have fewer discounts, and need greater compliance from travelers to sustain the deals they are able to negotiate. The following chart highlights the likelihood of buyers with smaller travel budgets to require the use of available preferred airlines than companies with a higher travel spend.

Chart 6: When Travelers Required to Use Preferred Airlines

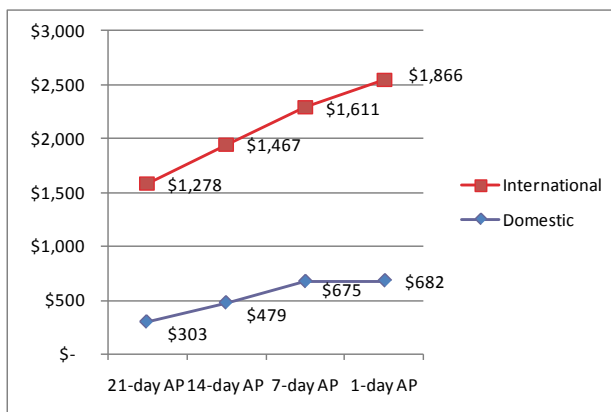


The chart also highlights the relationship between the size of annual travel spending and respondents with no negotiated discounts.

Advance Purchase Discounts (AP)

Another widely recognized savings opportunity that is difficult to enforce is booking flights in advance. The 2010 study analyzed savings available through advance purchase by tracking the changes in fares to a group of domestic US and international fares over a 21-day period. The results of that analysis are best summarized in the following charts.

Chart 7: 2010 Fare Changes as Departure Date Approaches



Compared to 2010, the 2011 study showed a notable increase in the percentage of organizations that have specific AP requirements in their travel policy. The following table compares responses to the same questions in both years:

Table 11: How far in advance are travelers supposed to book airfares?
2010 vs. 2011

	2010	2011
At least 7 days	18%	24%
At least 14 days	36%	34%
At least 21 days	9%	9%
Encouraged but no time frame	35%	30%
No AP requirement	3%	3%

There was a 6% increase year-over-year in respondents whose policy instructs travelers to book at least seven days in advance, whenever possible. There is a corresponding decline in the percentage of policies that 'encourage, but do not require,' advance purchase, suggesting that companies are taking the opportunity more seriously. Seven days may be the least aggressive requirement possible but it is realistic, and highlights what appears to be a more aggressive focus on the AP savings opportunity than was evident last year.

Companies that spend more on travel are more likely to encourage AP without requiring it. However, companies that spend less on travel, tend to set longer minimum AP purchase periods i.e., 14 and 21-days, compared to the average.

Table 12: Advance Purchase Requirements by Travel Spend

	<\$1M	\$1M-<\$10M	\$1M-<\$10M	\$50M+
At least 7 days	20%	26%	21%	33%
At least 14 days	33%	31%	41%	30%
At least 21 days	14%	8%	7%	3%
Encouraged but no time frame	26%	34%	30%	31%
No AP requirement	7%	2%	1%	2%

This difference can be attributed to more realistic policies by higher spend companies, and more aggressive targets at lower spend companies.

Hotel Booking Requirements

Many policies include requirements to book at preferred hotels that offer negotiated discounts, similar to rules directing travelers to use preferred airlines when applicable. In the 2011 survey:

- 27% require travelers to book with preferred hotels.
- 47% encourage travelers to book with preferred hotels.
- 14% allow travelers to choose booking preferred or non-preferred.

Thirteen percent reported that they do not have a preferred hotel program. These results were reasonably consistent with the 2010 survey in which:

- 55% of respondents encourage preferred hotels,
- 27% required the use of preferred hotels,
- 19% allow travelers to choose their hotels.

However, there were significant variations in hotel policy requirements based on the size of respondent's travel spend.

Table 13: Advance Purchase Requirements by Travel Spend

	<\$1M	\$1M-<\$10M	\$1M-<\$10M	\$50M+
Internet Access	49%	67%	91%	94%
Breakfast	36%	59%	76%	85%
Fitness Center	16%	37%	51%	62%
Parking	22%	36%	51%	59%
Airport Shuttle	15%	27%	31%	47%

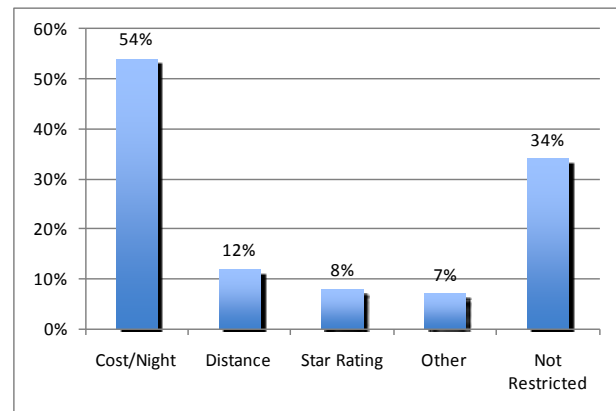
Clearly, and intuitively, companies that spend more on travel are more likely to have preferred hotel discount programs, and more likely to require, or at least encourage, travelers to book with preferred hotels when available.

Not surprisingly, travel programs that report into Purchasing Departments are the least likely to reply that they have no preferred hotel program (4%), and the most likely to either require (33%), or encourage (54%) travelers to use those negotiated discounts when available.

Finally, organizations that 'mandate' travel policies are more likely (36%) to 'require' travelers to book with preferred hotels than those who view policies as 'guidelines' (21%). Conversely, 'guideline' respondents are more likely to 'encourage' the use of preferred hotels (52%) than those with mandated policies (40%).

The survey then asked whether, and if so, how, travel policies restrict hotels? Responses are summarized in the Chart below:

Chart 8: How does your policy restrict hotels?



Most of the respondents who selected 'Other,' commented that they require the use of a 'preferred' property, i.e., a hotel that offers special discounts to the organization, and others reported 'per diem' requirements. Both of these criteria are discussed later in this report. The other factor most commonly listed in comments is the use of government (GSA) rates that are available to, and required, for companies performing services under a US government contract.

The \$50M+ respondents were significantly less likely to restrict hotels by cost per night (37%) than other programs, and the <\$1M buyers were most likely to rely on this criterion (64%). The largest programs are also most likely not to restrict hotels at all (43%). Respondents where programs report up to Purchasing, are the least likely to limit hotel costs per night (36%), and also were least likely not to restrict hotels.

Booking Non-Preferred Hotels

The survey then asked respondents to incitate all the reasons that make it acceptable, for travelers to book non-preferred hotels when preferred properties are available. The most common response was when preferred properties are too far from travelers' ultimate destinations (78%). Other reasons cited were:

- When non-preferred properties cost less than the preferred (57%)
- If the traveler is an executive or other 'exempt' employee (37%)
- When trips exceed a certain number of days (16%).

Only two of the 422 responses to this question (<1%) replied that 'Travelers are never allowed to book a non-preferred hotel.' There were no significant differences in answers based on the size of respondents' travel spending or on which management silo travel reports to.

The great majority of the 67 respondents who checked 'Other' commented that the primary exception to their 'preferred hotel' requirement is for travelers attending conferences. Other reasons listed were lack of room availability at a preferred hotel, 'traveling with clients,' or executive status within the organization.

Responses to this question highlight the inherent challenges of managing hotels. While securing preferred rates with hotels where a company spends more than 100 room-nights per year is usually feasible, requiring the use of preferred hotels can be more challenging to manage than requiring preferred airlines.

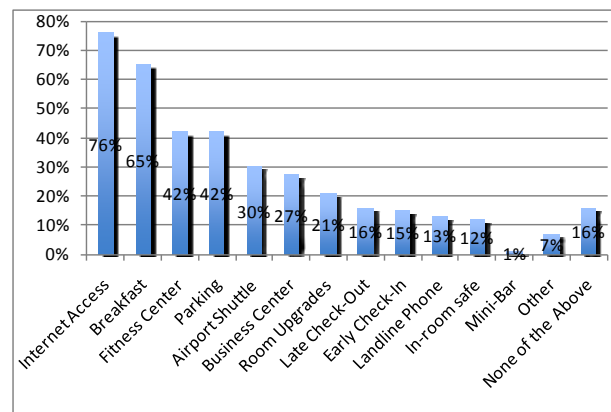
Travelers often need to be in a specific neighborhood within a metro-area based on their unique trip requirements, which can make it impractical to stay at preferred properties, and challenging to evaluate the reasonableness of policy exceptions. Also, it is more common for preferred hotels and rates to be sold out, especially for organizations that do not have multiple preferred properties in specific metro areas or have not negotiated 'Last Rate Availability' in their contracts.

Additionally, getting and sustaining these discounts requires coordination with the designated TMC. TMC's have a unique capacity to offer preferred properties to travelers during the booking process, either online or over the phone. TMC management reports show organizations when they have enough volume in a city to negotiate a discount. TMC's also are key to moving 'market share' to preferred properties, and documenting that buyers have met contract volume commitments. Experienced Travel Managers also tout the benefits of TMC-negotiated discounts, which can be substantial and negotiated more frequently throughout the year.

Negotiating Hotel Amenities

The survey then asked which amenities are included in their negotiated hotel rates. The percentages of respondents selecting each option offered in the survey are shown on the following chart:

Chart 9: Hotel Amenities Included in Negotiated Rates



The apparent willingness of hoteliers to negotiate free internet access is notable, especially given the widely-observed industry paradox that more expensive hotels are more likely to charge fees for WiFi than mid-tier properties. Free breakfast, airport shuttles, and parking are important amenities that can reduce total trip costs significantly, especially by avoiding taxes on those items that can add \$30 - \$50 per night to any trip. Shuttles to offices also offer a significant savings because they often avoid the necessity of renting a cars on those trips. In practice, many trips require little use of rental cars other than transport to and from airports and relatively short drives to an office. Fitness center access and room upgrades also add value when applicable. Apparently, most companies see limited value in the other amenities listed.

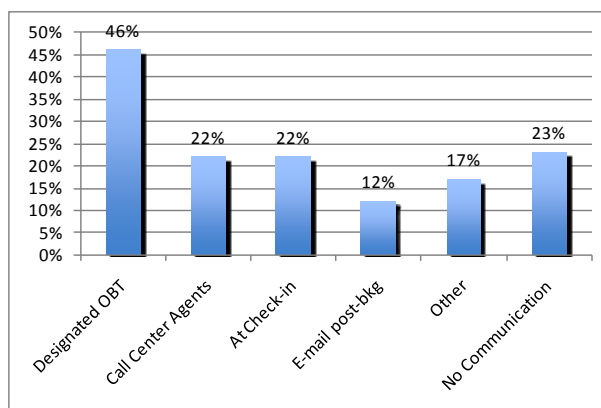
The most commonly negotiated amenities listed by the 33 respondents who checked 'Other' were shuttle service between the hotel and respondents' offices, and Last Room Availability (LRA). LRA means that a negotiated discount will be honored if there are any rooms available in the property for a requested reservation. It counters the practice of some hotels, especially during periods of high travel demand, of charging standard, or 'rack' rates, after a certain number of discounted rooms are booked.

Size apparently matters considerably in hotel negotiations. The chart below shows how much more successful companies with higher travel budgets are in negotiating almost all hotel amenities, than are respondents with smaller travel budgets.

Communicating Hotel Amenities

Communication is clearly an important factor in driving compliance with all aspects of travel policy. It's especially important in convincing travelers to use preferred hotels, however, because travelers have relatively more discretion in selecting hotels than other vendor categories. The 2011 survey suggested a number of possible channels and asked respondents which ones they use to inform travelers about the amenities included in their preferred hotel agreements.

Chart 10: How Companies Communicate Hotel Amenities



Promoting preferred hotel arrangements, including value-added amenities at the Point-of-Sale through an OBT or a phone-based agent, is unquestionably a best practice.

The other channels suggested provide helpful information but cannot influence the traveler's choice of hotel.

Failing to communicate about amenities at all, or only after travelers have made reservations, misses an important opportunity that companies have to increase usage of – and benefit from – preferred hotel agreements. Another emerging best practice is for companies to receive reports from their TMC tracking savings realized and/or costs avoided through the use of negotiated discounts. Understanding the value of these arrangements, and communicating their value, can go a long way toward creating a 'virtuous cycle' of compliance with travel policy.

'Other' channels noted in comments included internal websites (i.e., travel portals), hotel directories (that generally are posted online), internal orientation or 'on-boarding' seminars, itineraries (I&I's), annual hotel directories, and emails. This question actually received more comments than any other issue in the survey, with nearly 100 respondents providing these additional details.

Car Rental Policy

Communication is clearly an important factor in driving compliance with all aspects of travel policy. It's especially important in convincing travelers to use preferred hotels, however, because travelers have relatively more discretion in selecting hotels than other vendor categories. The 2011 survey suggested a number of possible channels and asked respondents which ones they use to inform travelers about the amenities included in their preferred hotel agreements.

- 71% required use of preferred car rental vendors
- 61% required use of preferred airlines, and only
- 27% required the use of preferred hotels.

It's not clear why the percentage of respondents requiring the use of a preferred car rental vendor has declined, especially when responses to the other questions on the issue remained fairly constant.

Again, however, there are significant variations in responses based on size of annual travel spend. The largest (\$50M+) programs are much more likely to require the use of preferred vendors than the <\$1M purchasers (45% vs. 24%), and more likely to require the use of a mid-size car (74% vs. 50%). By contrast, the <\$1M respondents were more likely to require travelers to book compact cars (16% vs. 4%), or full-sized cars (19% vs. 14%), than the largest buyers. There are no significant variations in car rental policies based on reporting silo.

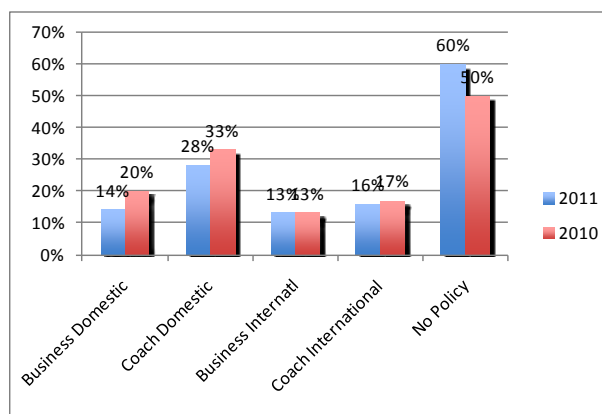
Rail Class of Service

Traditionally, rail has not been as important to business travel or travel policy in the US as it has been in Europe. This is due to the greater distances involved, and the relative frequency of service in the US markets that have trains, primarily the Northeast Corridor and Southern California.

The perception that rail is relatively inexpensive also makes it less of a priority for travel management and policy. A brief survey of the coach and business-class fares on Amtrak showed that the fare premium ranges between 45% - 50% for business class compared to Coach, but since the baseline coach fare is under \$100 on most routes in the Northeast Corridor and in Southern California, the actual cost premium is not significant.

That said, rail is important in certain regions, so the 2011 survey repeated a question from the previous year regarding the class of service in which travelers are allowed to book on trains. The results are summarized in the following chart:

Chart 11: Summary of Rail Class of Service Policies



The 2011 survey saw insignificant declines in both the percentage of Business and Coach class rail policies compared to 2010, but a ten percent jump in respondents whose policy does not address rail. Once again, the larger an organization is, the more likely its policy is to address the issue. Eighty-two percent of the smallest (<\$1M) programs have no rail policy compared to 37% of the \$50M+ respondents.

Pre-Trip Approval (PTA)

Most managers believe that the ability to review and approve trips before they are taken, in order to avoid expenses before they are incurred, is the most direct way to control travel costs. They feel that managers are more likely to downgrade accommodations, or even cancel trips, if they effectively 'see the bill' before travel expenses are incurred.

Despite the appeal of that logic, even the most aggressive companies have struggled to implement comprehensive PTA policies. The biggest challenge has been that approving managers are often traveling or otherwise unavailable, so travelers risk losing advance-purchase and other capacity-controlled discounts while waiting for approvals.

As travel-industry automation has improved, however, it has become easier for TMC's to identify and notify clients when requested reservations violate policy before tickets are purchased. For example, 'mid-office' systems can send emails to managers only when reservations are out-of-policy (OOP) to reduce the number of approvals required, and practically increase the likelihood that executives will pay attention to approval requests. Mid-office workflow management systems also can support options like forwarding OOP bookings to a designated back-up approver if the initial approver does not respond in a pre-set amount of time.

Despite these technical advances, 36% of Travel Managers do not require any kind of PTA before trips are finalized, and only 29% subject all trips to a PTA process. A smaller percentage of respondents limit the PTA process to trips to specific destinations e.g., international (16%), if trips exceed a certain cost threshold (16%), or are booked by non-executives (11%).

Perhaps surprising given their access to large TMCs and more sophisticated automation, respondents representing larger programs are less likely to implement PTA programs than smaller ones. Forty-six percent of respondents from the two largest spending tiers – representing all programs spending more than \$10M annually on travel - have no PTA process in place. In contrast, 36% of respondents from organizations spending <\$1M require PTA for all trips, and that percentage falls to 20% for the \$50M+ group. All of these percentages are similar to responses to the 2010 survey.

Policy Exception Reports

Another question repeated from the 2010 survey was what policy violation reports respondents receive. As described in the PTA section above, travel automation can detect whether booked fares and rates comply with almost any organization's travel policy. Once policy 'exceptions' are detected, mid-office systems can create instant 'pre-travel' reports and send them to a designated manager. They can also capture information about itineraries booked, and available policy-compliant options that should have been selected, and store all that information in the TMC's 'back office' reporting system.

There are essentially two kinds of exception reports for airline, hotel, and car rental reservations. TMC's can track and report whether travelers have declined 'logical' available preferred vendors, and/or, whether they have declined reasonably available lower fares or rates. As we have seen, TMC's have the ability to monitor most parameters that corporate clients might use to determine whether alternatives are logical under each company's travel policy. The following chart summarizes the type of policy exception reports that our survey respondents receive, this year and last.

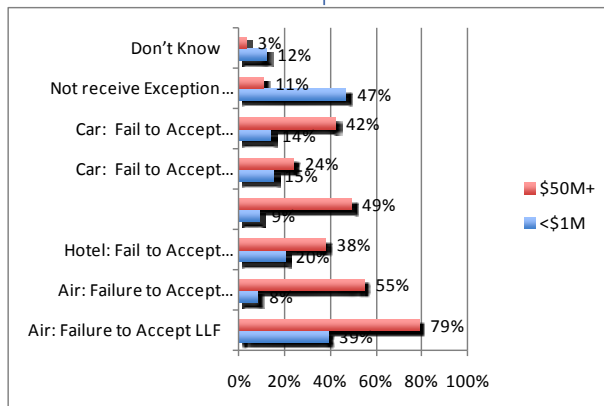
**Table 16: Policy Exception Reports Received
2010 vs. 2011**

	2010	2011
Air: Failure to Accept LLF	69%	66%
Air: Failure to Accept Preferred Vendor	34%	32%
Hotel: Fail to Accept Lower Rate	31%	28%
Hotel: Failure to Accept Preferred Vendor	30%	31%
Car: Fail to Accept Negotiated Rate	21%	23%
Car: Fail to Accept Preferred Vendor	32%	32%
No Exception Reports	24%	24%
Don't Know	5%	7%

Evidently there were no significant changes in policy exception reporting between 2010 and 2011.

There is, however a significant difference in whether companies receive exception reports depending on their annual travel spending. For example, 79% of all respondents spending over \$10M annually, and 71% of respondents spending between \$1M - <\$10M on travel, receive exception reports if travelers fail to accept the LLF on a flight, while only 39% of the <\$1M group get the same reports. The pattern continues for other types of exception reports. As one would expect, the smallest spend groups therefore are more likely 'not' to receive exception reports. The following chart highlights the differences in this category between the largest and smallest spend travel buyers:

Chart 12: Smaller Buyers Less Likely to Receive Exception Reports



Who Receives Reports

The best practice for distributing travel management reports, including exception reports, conforms to the old adage: 'knowledge is power.' First, distribute them as broadly as possible to increase the visibility of travel spending and the cost of policy exceptions. The more leaders who are aware of an organization's travel purchasing practices, the more likely it is that its culture will support more careful spending.

The other important principle is to ensure that managers and executives who have the power to affect travel purchasing behavior prospectively, also receive the information they need.

Travel Managers definitely should receive, review, and respond to exceptions and other travel management reports. Consistent policy violations may be signs of rogue spenders, or highlight needs for changes in preferred vendors. At most companies, however, travel managers lack the authority to compel changes in traveler behavior going forward. That is why experts recommend that senior executives, as well as the managers responsible for bringing projects under budget also receive the reports.

Unfortunately, respondents that distribute exception reports beyond Travel Managers are in the minority in 2011, as they were in 2010. Bearing in mind that respondents were asked to select 'All That Apply,' the following summarizes where exception reports are sent within respondent companies, these results are similar to the responses in last year's survey:

- 92% route exception reports to Travel Managers,
- 28% route them to 'C-Level' Executives,
- 18% route them to the traveler's direct Manager,
- 14% to the traveler's Business Unit Manager,
- 8% of respondents indicated 'Other' as a response.

Although the majority of these responses fall into the categories listed in the survey, unique responses in comments following 'Other' responses included: HR, Purchasing/ Procurement, 'All Managers,' Internal Audit, Financial Analysts, and the travelers themselves. Other attuned respondents answered:

- Direct reports of the C-Level,
- Key stakeholders via quarterly dashboards
- Traveler's VP

These last three comments are in line with best practices in that they reflect a practice of sharing exception reports with senior level executives who have significant interest in controlling costs, and the greatest ability to influence travelers' purchasing behavior.

While there is not much variation based on annual travel spending, programs reporting up to CEO's are the most likely to route reports to C-Level Executives (36%), and least likely to route them to a travel manager (82% compared to the average of 92%). Since we have seen that most CEO-led programs are smaller than average, it is possible that many of these programs do not have dedicated travel managers

Groups and Meetings

Strategic Meetings Management (SMM) is a series of best practices designed to integrate the management of meetings - typically defined as 10 or more travelers going to the same destination for the same event - with conventional or 'transient' travel. A key benefit to SMM is increasing negotiating leverage with airline, hotel, and other suppliers to both kinds of travel. Key components of SMM include registering meetings, so they can be tracked and managed, and defining a process to ensure that meeting contracts are professionally reviewed.

Last year, the study found that despite the extensive promotion of SMM by the GBTA, as well as by many TMC's and meeting management vendors, a relatively small number of respondents had taken steps to integrate the management of groups and meetings with their core travel management programs.

The good news this year is a five-point decline in the percentage of respondents who do not address groups and meetings as part of their travel policy, which suggests higher overall recognition and conformity to SMM best practices.

Table 17: Implementation of Strategic Meetings Management
2010 vs. 2011

	2010	2011
Defines Meetings by No. of Attendees	26%	23%
Defines Meetings by Projected Budget	11%	12%
Requires registration of meetings	23%	22%
Central Review of all Meeting Contracts	29%	32%
Policy does not address G & M	53%	48%
Don't Know	6%	6%

On the other hand, the compliance with each specific component of SMM methodology fell year-over-year.

Compared to 2010, the percentage of 2011 respondents that require registration of meetings fell slightly, as did the percentage of respondents who define meetings by the projected number of attendees. The insignificant increase in the percentage of respondents who define meetings by budget, does not offset the overall desultory result.

However, it is also notable that larger spend buyers and programs are following the SMM trend more closely than the overall data suggest. Consider the following table comparing Group and Meeting policies of the larger respondents.

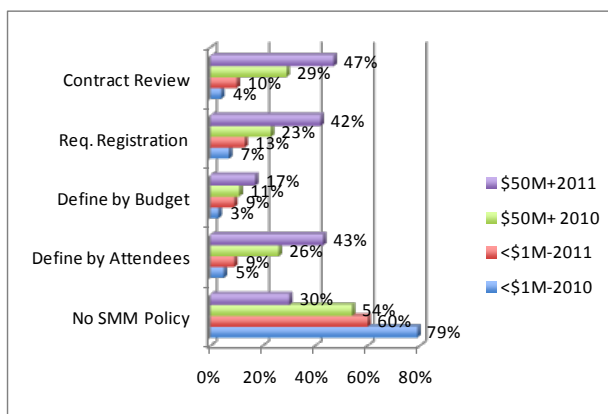
Table 18: 2011 SMM Adoption by Travel Spend

	<\$1M	\$1M-<\$10M	\$10M-<\$50M	\$50M+
Defines Meetings by No. of Attendees	9%	19%	32%	43%
Defines Meetings by Projected Budget	9%	12%	14%	17%
Requires registration of meetings	13%	16%	26%	42%
Central Review of all Meeting Contracts	10%	29%	48%	47%
Policy does not address G & M	60%	57%	38%	30%
Don't Know	14%	2%	6%	2%

Larger programs are more likely to define and register meetings, so they can be tracked and managed, and more likely to require central review of meeting contracts. Centralized contract review is important to ensure that key provisions like attrition are crafted to minimize liability in the event meetings are changed or cancelled. It is important for travel managers to know about contract commitments and cancellation liabilities, because they are in a position to leverage meeting spend in overall program negotiations and to use cancelled space for other trips.

It is also interesting to look at changes in SMM adoption within the smallest and largest spending groups between 2010 and 2011, as highlighted in the following Chart:

Chart 13: Comparing SMM Adoption Trend 2010 vs. 2011



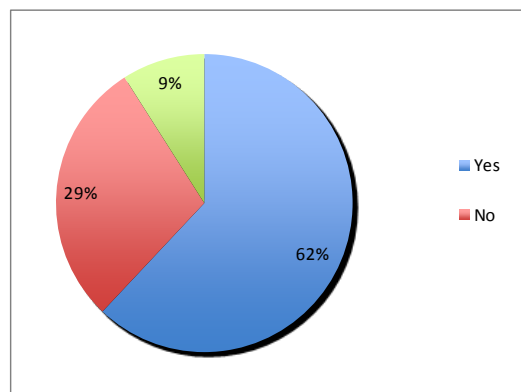
The Chart illustrates that adoption of each key SMM practice has increased at both larger and smaller travel spenders, although adoption rates remain highest at the largest organizations. It also shows that the percentage of respondents reporting 'no SMM policy' has fallen within each of the two groups.

Emergency Response Plans

Companies have increasingly recognized the importance of planning to assist travelers in emergencies, especially as the list of unforeseen emergencies has grown steadily since 9/11.

There is also growing recognition that employers face potential liability if they do not meet their duty of care to safeguard employee travelers. **Increasingly it will be difficult for companies to argue that they have met that threshold unless they can locate and assist travelers in emergencies using information provided by a designated TMC.**

Chart 14: Companies with Emergency Plans in Place



This data apparently shows a decline in emergency preparedness since 2010 when 73% of respondents claimed to have contingency plans in place, and 27% said they did not. However, the 2010 survey did not include a 'Don't Know' option, which comprises all but a small part of the difference.

Typically emergency plans require collaboration between multiple internal departments including travel, security, and HR, as well as the designated TMC. Compared to the 62% overall average, larger spend programs, with access to travel managers and risk management professionals, clearly have focused on this issue more than smaller ones.

- 92% of the \$50M+ group have emergency plans in place
- 73% of the \$10M-<\$50M group have emergency plans in place
- 59% of the \$1M-<\$10M group have emergency plans in place, but
- Only 36% of the <\$1M group have emergency plans in place.

Hotel Per Diems

Setting maximum amounts that travelers can spend per day on two categories of travel spending – 'Hotels' and 'Meals & Incidental Expenses' – is a well-established travel management practice at many companies. The benefits of per diems are certainty for travelers, and manageable controls for companies.

The challenge of per diems is maintaining limits that support adequate comfort and convenience for travelers in an industry where prices vary by location, and fluctuate more than the economy as whole. **To create an effective per diem system, companies must create a table of allowable spending amounts for different locations,** and even sometimes for different locations within the same metro area. Then they need to review those limits at least annually – and more often if prices in the travel industry rise or fall rapidly.

Use of per diems did not change much between 2010 and 2011 as shown in the following table:

**Table 19: Use of Per Diem Policies
2010 vs. 2011**

	2010	2011
Define Hotel Per Diems	44%	41%
No Hotel Per Diems	56%	56%
Don't Know	n/a	3%
Define M&IE Per Diems	65%	67%
No M&IE Per Diems	35%	31%
Don't Know	n/a	2%

There is a statistically significant difference between the use of hotel per diems at large and small companies. Only 32% of the \$50M+ group and 35% of the \$10M-<\$50M group have hotel per diem policies, compared to 52% of the <\$1M and 42% of the \$1M-<\$10M group.

The most likely reason for the relative popularity of hotel per diems at companies spending less on travel, is that approving managers and executives feel that they know the prevailing costs at most of the destinations their travelers visit, and therefore are more confident about the per diem limits they set. Practically, they are likely to know the nightly rate at the properties where they expect travelers to stay at specific destinations.

As the chart shows, per diem limitations are more common for meals than for hotels, because it is a category that companies have little other opportunity to control. The same pattern holds for M&IE per diems when looking at the amount of program spend. For instance, 79% of <\$1M companies have per diems to manage meals and incidentals. The percentage of companies using per diem policies for M&IE falls steadily to 51% of \$50M+ companies as travel spending increases.

As mentioned, per diem 'best practices' require that companies create and update allowable rates, especially for hotels, and establish different caps for different locations. Companies cannot realistically impose the same cap on hotel rates in mid-town Manhattan that they do in small, Midwestern cities. Seventy-six percent of respondents who indicated that they have hotel per diems conform to this best practice by providing different per diem rates in different cities.

Ancillary Airline Fees

In the last few years, airlines increasingly have been breaking out and charging separately for services whose costs traditionally were bundled into the price of a plane ticket. Examples of these new fees, which the carriers now market as 'ancillary' to the cost of transportation include: checked luggage, food, and preferred seating within coach. The airlines also have started offering ancillary services such as priority boarding and security clearance, that could not be purchased in the past, as well as services like in-flight Internet access, that have only become available recently.

Ancillary fees have received a lot of attention in the corporate world because several airlines have questioned the ability of the current distribution system, which is centered around Global Distribution Systems (GDS), to display and sell ancillary services and fees effectively. The primary challenge to corporate Travel Managers, however, is that existing travel agency and charge card systems have not been able to provide reporting on these new costs, which has made it difficult for companies to measure and manage them.

While ancillary fees by airlines have received significant industry attention, hotels have been selling services 'ancillary' to sleeping rooms for decades. Like airline ancillaries, these fees have created challenges for travel managers because the mechanisms for measuring cannot access sufficient data. Over the last decade, however, corporate charge card vendors have improved their ability to report on 'Level III' data that includes detail on numerous ancillary fees.

For the first time, this year's study begins to monitor company efforts to manage ancillary fees. The table below shows which fees are considered reimbursable expenses by the responding organizations.

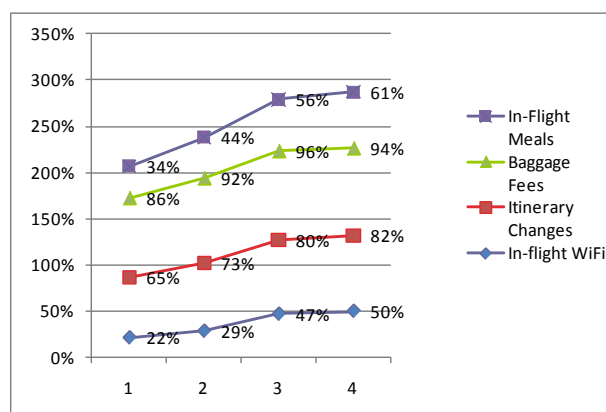
Table 20: Reimbursable Airline Ancillary Fees

	Percentage of 'Yes' Answers
Bag Fees	91%
Itinerary Changes	73%
In-Flight Food	47%
In-flight WiFi	35%
Preferred Seats	13%
Extra-legroom	12%
Priority Boarding	8%
Alcohol	6%
Entertainment	3%
Other	2%
None of the Above	4%

Several respondents who checked 'Other,' clarified that ancillary fees are approved only for flights over a certain length, or if justified by valid business reasons. One respondent indicated that 'Early Boarding' is another reimbursable expense. A final comment was that the company would reimburse up to '2 drinks per day regardless of where consumed.'

There were significant differences in allowable expenses depending on the size of respondents' travel programs. Generally the bigger programs reimburse travelers more liberally for ancillary fees. The following chart highlights the correlation between higher travel spending and approval of specific ancillary fees:

Chart 15: Ancillary Air Fees Approved by Spend Volume



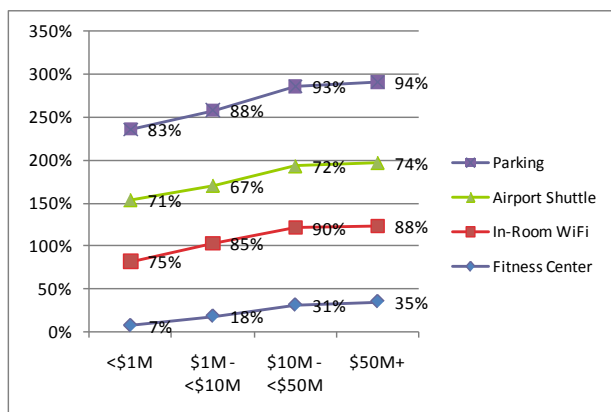
As mentioned above, while much attention has been paid to the airlines' recent introduction of ancillary fees, hotels have been charging additionally for certain services for such a long time that the practice is not generally questioned. In response to survey questions about approval of hotel ancillary fees respondents answered as follows:

Table 21: Approval of Hotel Ancillary Fees

	Percentage of 'Yes' Answers
Parking	89%
Internet Access	84%
Airport Shuttle	70%
Late Check-out	24%
Early Check in	23%
Fitness Center	21%
In Room Safe	16%
Mini-Bar	9%
Entertainment	4%
Other	2%
None of the Above	2%

Larger companies are significantly more likely to approve some of these fees including In-Room Internet, Fitness Center Access, and Parking. Several respondents clarified that mini-bar reimbursement is limited to specific amounts or occasions when the hotel restaurant is closed. Laundry is another expense authorized by a small number of companies.

Chart 16: Hotel Ancillary Fee Approval by Volume



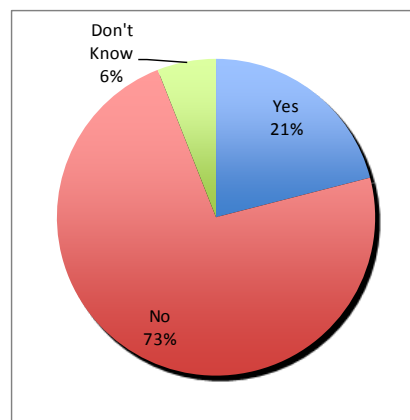
This chart highlights that larger spend companies are more likely to approve reimbursement for all these hotel amenities, as well as the different approval rates for each amenity.

It is interesting to compare the percentage of respondents who approve Internet access in hotel rooms (84%) vs. airplanes (35%). The differences were less striking on other comparable ancillary services such as airplane alcohol (6%) vs. hotel mini-bars (9%) and entertainment (3% vs. 4%). The difference is probably due to the fact that airline WiFi is a relatively new service, and that most travelers spend a lot more time in their hotel rooms than on airplanes. There were no significant differences in the percentage or type of ancillary fees approved based on reporting silo.

It is also interesting that companies where respondents have 'very little input' into travel policy are much less likely (63%) to approve hotel Internet access than respondents with 'primary responsibility' for travel policy (84%) and those who are 'part of a committee' (92%) responsible for travel policy changes and content.

The study also reveals whether travel managers are currently tracking ancillary fee expenses. In fact, only one-fifth (21%) said they are currently tracking ancillary fees.

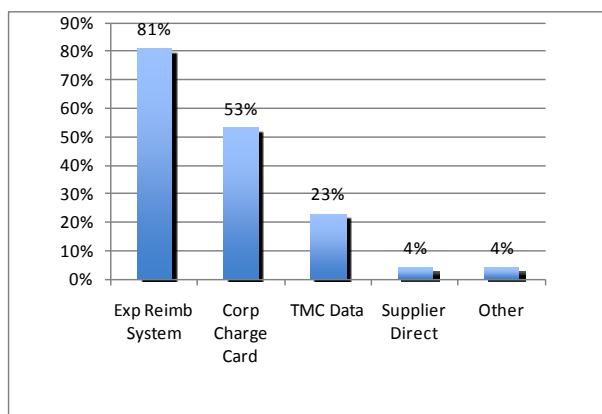
Chart 17: Are You Tracking Ancillary Fees?



Among the minority of respondents who are tracking ancillary fee expenses, most are doing so through their expense reimbursement systems (81%). In addition, roughly half (53%) are tracking fees through their corporate charge card. As of summer, 2011, charge card vendors have made more progress in configuring their systems to accept and report on this data, largely because they have been working for over a decade to let merchants and cardholders add supporting descriptions to individual charge records. Most online expense management systems can be configured to accept and report on this data, but since no TMC currently can capture and report on ancillary spending, the data can only be captured through a credit card feed, or if travelers enter it manually.

The only significant difference between large and small companies responding to this question is that 68% of the \$50M+ group uses charge card data to track ancillary fees, compared to only 41% of the <\$1M group.

Chart 18: Source of Ancillary Fee Data



This is an interesting issue because the conventional sources of data used to track and manage travel spending need to be re-configured to accept and report on these new categories of spending. Even respondents who are getting some ancillary fee data through expense and/or charge card systems can only capture some types of data that their systems are programmed to accept.

Travel Managers who have analyzed these costs have had to rely on charge card and/or expense reports, and also made assumptions i.e., that an airline charge of \$25.00 or \$75.00 represents an ancillary fee. These studies have generally been a 'one-time samples' because systems today are not set up to track these fees.

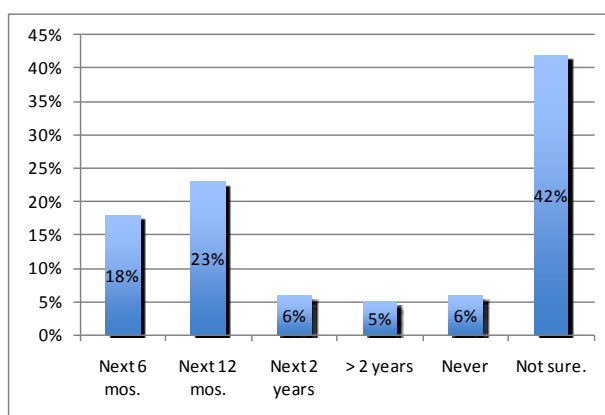
Some Expense Management Systems are configurable to add new expense categories, but many travel managers have found it challenging to get the internal support from IT and Finance organizations to make those changes.

Other travel managers report that corporate charge cards are making progress in identifying airline charges for specific ancillary fees. Most observers of this issue, however, believe that tracking ancillary fees will be a challenge for several years, especially because they expect airlines to keep introducing new fees and service bundles, so static reporting systems will remain behind the curve until they are updated to accommodate continuously changing expense categories.

The few TMC's who are providing ancillary fee information to clients are probably doing similar, manual evaluations because their existing automation is largely dependent on data provided by the GDS. As is well reported, the GDS at this point does not offer or sell ancillary services, although they argue that they can support the XML-based formats to do so. Even if the GDS's develop a process to display and sell ancillary fees, the TMC's will need to configure their 'back office' reporting systems to accept and report on these expenses.

Respondents who do not currently track ancillary fees were asked when they plan to begin doing so. Given the industry situation described here, they were realistically uncertain as a group. In fact, 42% of travel managers said they are not sure when they will begin tracking these fees. However, many travel managers are more optimistic with 41% saying they expect to begin tracking within the next year.

Chart 19: When Plan to Track Ancillary Fees



Larger companies are more likely to expect they will track these fees sooner than smaller ones. Sixty-five percent of the \$50M+ group and 52% of the \$10M-<\$50M group anticipate collecting this data within the next 12 months, compared to 19% of the <\$1M and 35% of the \$1M-<\$10M groups.

On the issue of when companies will have solutions in place to track and report on ancillary spending, particularly regarding the airline fees that have been introduced in the last 1-2 years, respondents with smaller spend may have the more accurate insights. As of the summer, 2011, it still is not clear whether the airlines will continue to distribute some or all of these services through the GDS, and/or some other platform. Regardless of the platform or platforms that ultimately distribute these service-and-fee options, it is almost certain that the new data about new services will be in different formats than the traditional 'schedule, fare, and availability' data in the GDS. This means that existing TMC automation for capturing and reporting data about airfare will not be compatible initially with existing systems.