

Benchmarking: The Means to Effective Travel Program Optimization

In today's turbulent economy, businesses have become more budget conscious than ever. For corporate travel, this has meant an increased focus on travel program optimization. In fact, the ongoing evolution of the travel industry has made it such that even mature programs need to analyze their programs with greater detail than ever before.

With 7 percent of the average company's budget allocated to corporate travel, according to research from analyst firm Aberdeen Group, businesses are forced to take a close look at how this significant chunk of budget is being spent and how costs can be managed.

The process of travel program optimization may seem inherent, as it all begins with simply asking questions.

- Are there ways the program can be better managed to save time and money?
- Where exactly can money be saved? Are there areas where money is being wasted?
- What specific aspects of the program can be tweaked?

Effectively answering these questions and then realizing their implications on a travel program, however, can be tricky.

There are many different factors that contribute to a travel program's success or failure, and in turn many tactics that can be employed to achieve desirable results. Consequently, program optimization can potentially be a daunting process for many companies.

The good news is that one definitive tactic can greatly simplify the process, as the answers to all of these questions and more can be found by beginning with the comprehensive benchmarking of best practices.



Benchmarking Travel: The Basics

It is essential for a company to know where it stacks up in comparison to its peers in a variety of categories that may have an effect on the success of their individual program - spending, program guidelines, purchasing behaviors; the list could go on and on. Benchmarking paints a clear and informative picture of a company's travel program and how it measures up to those of its peers. Analyzing these comparisons allows a company to then evaluate its program, identify areas where there is room for improvement, and develop a strategic plan to achieve the desired results.



Benchmarking Travel: The Challenge

In these times of corporate travel budget scrutiny, program optimization stemming from benchmarking is the means for companies to attempt to do more with less. However, benchmarking does have its challenges, and these tend to stem from the sometimes questionable nature of the data, and what can actually be done with it.

When taking the initiative to develop or enhance a travel program around benchmarking data, there are two questions that must first be answered.

- Is there a chance this data could be skewed, possibly creating an inaccurate peer group?
- Is the system adaptable enough to account for the intricacies of corporate travel?

To ensure benchmarking can lead to effective program optimization, a company needs to know that the data being analyzed is entirely credible, and also that any aspect that could possibly have an effect on a travel program can be measured.

Benchmarking Travel: Our Unique Approach

In her 8 years with the company, Ultramar's SVP of Client Consulting Carolann Martini has vetted many familiar concerns from clients about benchmarking practices, and so has taken the lead in developing a unique system that continually validates the effectiveness of using benchmarking as the basis for program optimization.

"When it comes to benchmarking, it's all about the data. Because we maintain our own highly detailed and comprehensive data gathering and reporting system, we utilize that to provide clients with the utmost guarantee in the integrity of our benchmarking services," said Martini. "The data used is completely and solely produced and handled by Ultramar and draws exclusively from our own prestigious and diverse clientele.

"We know that the integrity of benchmarking practices, and the extent to which they can be utilized for clients, is completely contingent upon two things, one being the credibility of the data and the other being the flexibility of the system. Because of our unique strategy, we can assert 100% confidence in both of those things."

Credibility of Data

Benchmarking is entirely based upon the idea that one company's data is being compared to that of its true peers. If this is not the case, the data will almost certainly be skewed and any conclusions drawn from it are unlikely to produce optimal results.

Knowing the Peer Group

Achieving an accurate peer group starts with actually knowing the peer group. Because Ultramar is using data drawn entirely from its own client base, it is easy to spot factors within a particular travel program which may skew results.

For example, when benchmarking a client's average segment price on transcontinental airfare from New York to Los Angeles, it would be important to know if one particular company considered in the peer group has 50% of its travelers regularly flying this route in Business Class. This could severely skew the data set and create a much higher average segment price than a client whose travelers regularly fly in Coach.

Industry Specialization

The accuracy of the peer group can also hinge upon how well the specific quirks of certain client industries are known and accounted for.

Between itself and its parent company Travel and Transport, Ultramar has the advantage of direct access to comprehensive data on the travel programs of companies within the Fashion, Legal, Private Equity/Finance, Insurance, Architecture and Engineering industries.

These sectors are all unique, and in turn their distinct travel patterns can often require unique consideration when it comes to benchmarking. For example, corporate travel budgets, and subsequently the booking guidelines placed on travelers, can vary greatly from industry to industry. If the average hotel room rate for a fashion company is being benchmarked against a supposed peer group including companies in the financial sector, results could be tremendously skewed.

Because Ultramar has deep penetration across many industry sectors it is able to create very refined benchmarking models.

Flexibility of the System

We've established that there are innumerable aspects of a company's travel behavior that can factor into program optimization, and that this can be a challenge. So to ensure that a company's program is operating at the utmost levels of success, the benchmarking system in place must be flexible. By using its own data, Ultramar is able to ensure this and guarantee clients they will have access to all data that will best help them reach their goals.

The Whole Picture

Standard benchmarking paints only a partial picture. It may show a company how it stacks up to its peers in terms of average domestic and international ticket price, hotel rate, car rental rate, etc. This however, is not enough.

To paint a true and clear picture of a travel program and its strengths and weaknesses, it is extremely important to be able to get granular and dig deep into the intricacies of corporate travel.

The most common example of this is the problem with the standard practice of benchmarking average domestic and international ticket price. A traveler flying from New York to London and a traveler flying from Atlanta to Hong Kong, although both traveling internationally, are going to yield remarkably different ticket prices. Traditional benchmarking would place these two trips in the same category of international tickets, and greatly skew data for a company who may only send travelers to Europe and is looking to benchmark what they should be spending on their international airfare.

Ultramar has identified this problem, and has been able to solve it by using average segment prices of specific city pairs to benchmark airfare. Data for each city pair – i.e. Newark to Hong Kong or Atlanta to Johannesburg – is extracted and placed in its own individual metric and then analyzed from there.

	2011	2012	Industry 2012
Air			
Average Ticket Price - Domestic			
Average Ticket Price - International			
Average Segment Price > Hong Kong <-> New York-Kennedy			
Average Segment Price > Newark <-> Hong Kong			
Average Segment Price > Jacksonville <-> New York-LaGuardia			
Average Segment Price > New York-LaGuardia <-> Chicago-O'Hare			
Average Segment Price > Jacksonville <-> New York-Kennedy			
Average Segment Price > New York-Kennedy <-> Los Angeles			
Average Segment Price > Newark <-> Las Vegas			
Average Segment Price > Paris-DeGaulle <-> New York-Kennedy			
Average Segment Price > New York-Kennedy <-> San Francisco			
Average Segment Price > New York-Kennedy <-> London-Heathrow			
Average Segment Price > New York-Kennedy <-> Las Vegas			
Average Segment Price > Seoul-Incheon <-> New York-Kennedy			
Average Segment Price > Las Vegas <-> Phoenix			
Average Segment Price > Newark <-> Jacksonville			
Average Segment Price > Atlanta <-> New York-LaGuardia			
Domestic Online Adoption			
Domestic Non-Refundables			

Because everything is internally managed, it is easy for Ultramar to get granular and implement productive best practices such as this for clients.

A Customized Approach

The flexibility of Ultramar's system also provides a unique advantage in that benchmarking practices can easily be customized to fit each specific client's program needs.

Intimate client relationships allow for benchmarking data surrounding virtually any aspect of a travel program to be collected whenever a client needs it. For instance, perhaps a client in the fashion industry just made the decision to start participating in trunk shows around the country. This will be an entirely new form of travel for their program, and they are unsure how it should fit into the budget. Utilizing close client relationships, and once again the industry-specific expertise, Ultramar could quickly collect data about trunk show traveling from peers within the fashion industry & report back to the client.

While company names and defining characteristics are always kept completely anonymous, this tactic goes a long way in helping clients solve relevant, real-time problems and subsequently adapt programs quickly and efficiently.

Properly executed benchmarking is the ultimate tool for creating a path to effective program optimization, and it has led to much success for Ultramar and its clients.

"Ultramar is proud of this unique system we have in place," said Martini, "and we are constantly striving to adapt every day to the needs of our clients in helping them achieve their goals."

About Carolann Martini, Senior Vice President, Client Consulting

With over 20 years experience, Carolann Martini uses her excellent relationship-based negotiation skills to consistently maximize client satisfaction and contribute to the success of their travel programs and, ultimately, to their bottom line.

A strategic planner skilled in the design and execution of review processes, Carolann ensures that each client's Ultramar program is custom-built to meet and exceed the client's objectives across all aspects of their managed travel program. Carolann leverages Ultramar's strong benchmarking capabilities to ensure best practices & to deliver unmatched levels of satisfaction.

About Ultramar Travel Management:

Founded in 1947 and headquartered in the heart of Manhattan, Ultramar Travel Management is a leading multi-national travel management company dedicated to delivering an unparalleled service experience to sophisticated, exacting business travelers. Ultramar provides exceptional value and global capabilities to its elite clientele. Ultramar specializes in developing and managing custom-tailored programs that combine its industry-leading technology solutions with its high-touch customer service for programs that deliver important cost savings, an unmatched traveler experience and continual improvement to its clients.



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