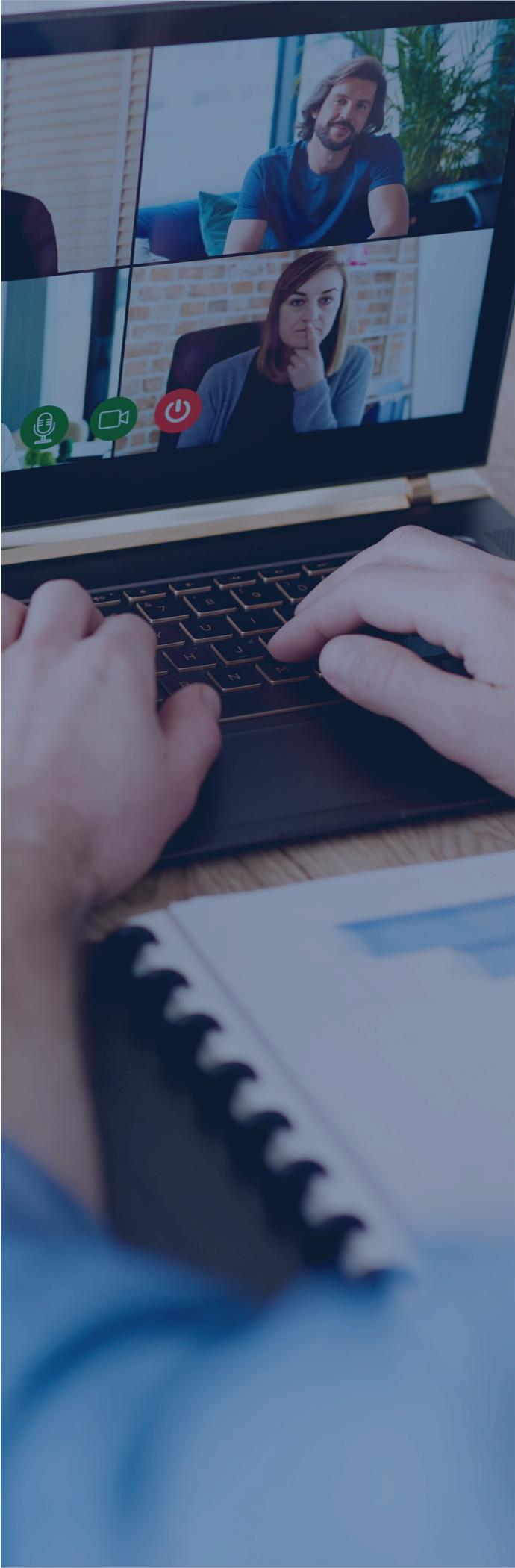




Restarting

Corporate Travel,
Meetings, Payment &
Expense Programs



Preface

As individual global markets continue to respond to the short-term impact and longer-term implications of COVID-19, all aspects of Travel, Meetings, Payment & Expense (TMPE) are experiencing unprecedented disruption and uncertainty. While the future will be rife with continued changes and unknowns, we at TCG Consulting (TCG) have been actively partnering with our broad global client base, industry and other respected thought leaders and engaging with numerous suppliers to build and perform program impact assessments, develop findings, implement recommendations and design TMPE Restart Plans.

In our experience, a 'TMPE Restart Plan' should be a key and integral element of any company's business continuity plan. In the pages that follow, we recommend a set of concrete stratagems and actions that companies should consider while preparing to restore operational activities and help them adapt to – and shape – the 'new normal'.



COVID-19 has borne a devastating and deleterious effect on public health and most economic forecasts predict more detrimental economic consequences than even the Great Recession of 2008.

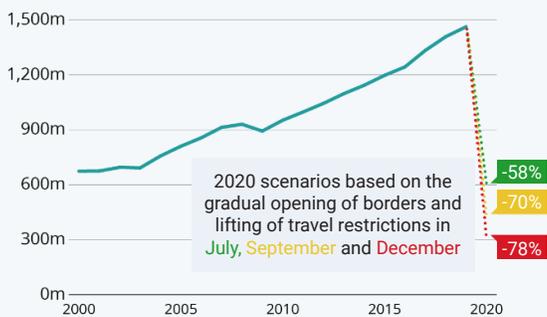
While we listen to economists debate whether we will undergo a U-shape, L-shape, W-shape, or even a “Nike Swoosh”-shape type of recovery, the global travel industry is battling its greatest crisis. The pandemic’s impact has torn across all segments of business and leisure travel industries, leaving virtually every travel supplier in a wake of financial turmoil, many requiring government bailouts and few customer bookings, with the specter of insolvency hovering for many.

Similarly, numerous organizations worldwide were compelled to halt or severely tamp-down their business and travel activities, and in some cases, many were forced to lay-off or furlough staff as traditional sales channels and sources of revenues vanished overnight. For companies continuing their business travel activities - and those who plan to in the near future - specific policies, approvals, contingencies and other protocols are required to assure traveler health and safety are not compromised.

The still-unfolding consequences of COVID-19 have also exponentially raised traveler risk profiles to levels never imagined since the first commercial jet engine flight in 1952 ushered in the dawn of modern business travel. As a result, traveler safety and duty of care has reemerged as a top concern for all organizations. While the safety and security of travelers is rightfully at the forefront of every company’s leadership team’s thinking, corporate executives must not lose sight of the broader picture.

Global Tourism to Suffer Crushing Blow in 2020

International tourist arrivals worldwide since 2000

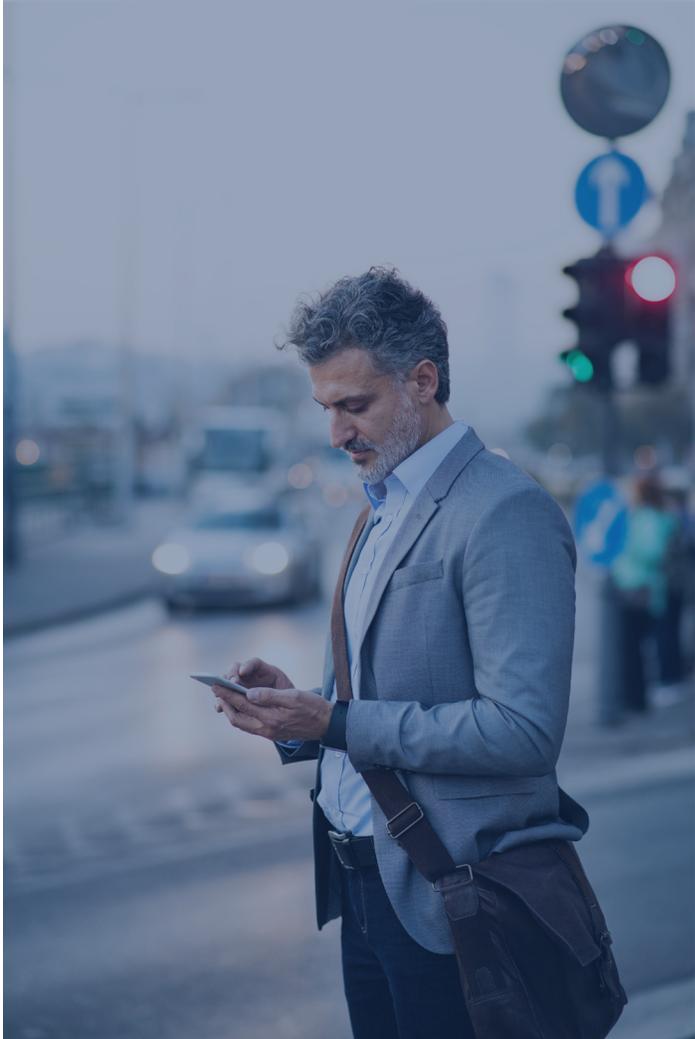


Source: UNWTO



statista

Chart Source: <https://www-statista-com/chart/21793/international-tourist-arrivals-worldwide/>



TCO-TMPE®
**Total Cost of Ownership for
Travel, Meetings, Payment
and Expense may range
from 8-23% above T&E.²**

Positive strides have been made over the last two decades to leverage corporate buying power and limit excessive spend, but travel programs continue to exhibit higher levels of abuse, when compared to other organizational spend. This comes as little surprise when we realize that travel managers are often devoting over 30% of their time “chasing and reporting on compliance,” primarily on Air, Hotel & Car Rental bookings that should have been booked via an approved company Travel channel (Agency).

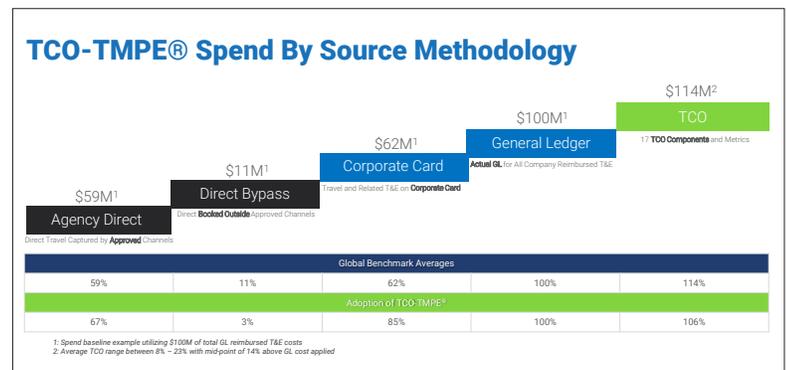
To compound the issue, only 59¢ of every \$1.00 in T&E is processed by a Travel Agency,³ leaving more than 40% of T&E Spend unmanaged.

Consider also that it is generally accepted within the business travel community that organizations on average spend 1.68% of Total Revenue on Travel & Entertainment (T&E) Expenses.¹ However, this estimate does not identify all the costs of an organization’s travel & expense related activities.

Employing TCG’s unique approach to identifying and managing a company’s true end-to-end travel related costs – Total Cost of Ownership for Travel, Meetings, Payment and Expense (TCO-TMPE®) – organizations are able to accurately capture all T&E related spend under management, harness new revenue sources (card / payment / supplier revenue sharing) and reduce hidden company costs via identification of more efficient workflows, processes and addressing areas of “program maturity”.

TCG Consulting research reveals under 1.0% to more than 4.0% of Total Revenue, is spent on T&E Expenses.¹

When calculating an organization's travel spend with TCG's TCO methodology, the industry's accepted nominal percentage of 1.68% T&E rises above 1.95% when including hidden costs not usually billed to T&E accounts. Actual T&E costs may vary based on the business activities of a company. For example, at the low-end, manufacturing companies see lower T&E costs (under 1% of top line revenues) while professional service firms (consulting, legal, marketing, etc.) exhibit higher costs (4% plus).¹ In addition to identifying a company's true travel related spend, TCG's TCO-TMPE® methodology also discerns that for most companies worldwide, T&E is their 2nd largest indirect procurement expense.



The growth of virtual and broad spend under management has accelerated during this crisis – fueling adoption of broader payment, invoicing and cashless transactions. These and similar corporate travel management tools and innovations enable & facilitate the benefits of an end-to-end platform utilizing TCO methodologies.

Business is forever changed – understanding and managing spend across agency (direct channel), meetings, payment cards and expense via a TCO platform is now critical. Effective management across these components assures a true end-to-end program, yielding incremental & sustainable savings opportunities and the ability to design and drive traveler safety & risk management strategies in the post-COVID-19 world.

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**You never want
a serious crisis
to go to waste.**

”

**- Rahm Emanuel
Former White House Chief of Staff**



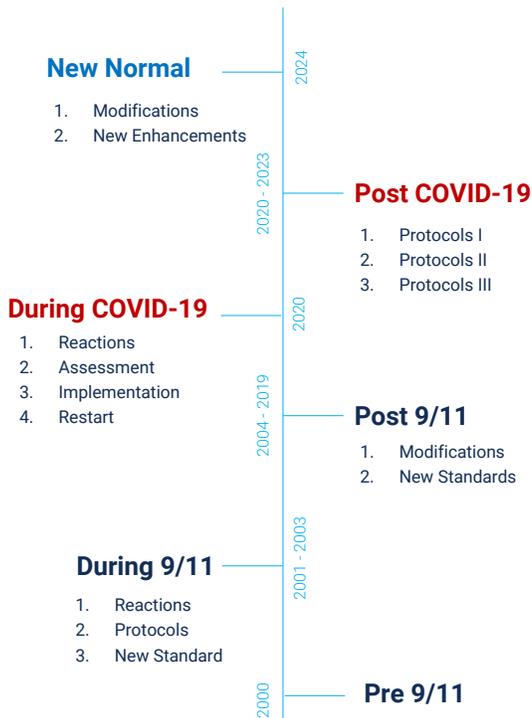
Past as Prologue

Following the events on September 11, 2001, organizational priorities shifted overnight for most travel programs – traveler safety, specifically duty of care, moved to the top of everyone’s list.

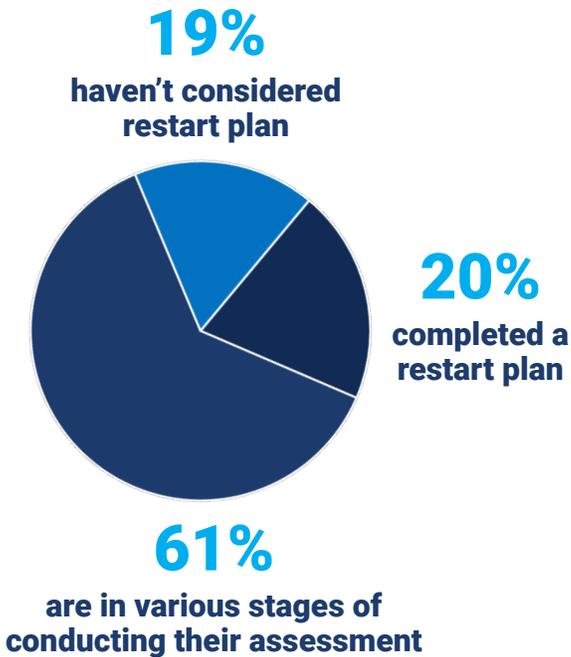
Once the aftershocks from 9/11 subsided, a buyer’s market ensued in corporate T&E until the Great Recession of 2008, when Procurement emerged as the prevailing strategic management tool used by most companies to deal with the recession’s ramifications on global business travel.

Of course, corporate travel programs have endured other (regional) consequential events such as SARS (2003), MERS (2012) and Mount Merapi [Volcanic Ash] (2010), which indeed added complexity, tension & uncertainty to the travel industry. However, none of the world’s past events tested corporate travel protocols at the same scale and urgency as when COVID-19 swept across the globe in March of this year. While travel managers dusted-off their duty of care and risk mitigation programs to respond to the crisis at hand, some plans thrived while others floundered as organizations found themselves sorely underprepared for the gravity of this event.

In response to the COVID-19 pandemic, organizations around the world stepped-back and performed a full inventory of how their travel programs fared against this global crisis – concurrently assessing their duty of care plans and addressing any gaps that may or may not have been pandemic specific.



TCG Survey Results ⁴



The result has been a resounding call to move from encouraging corporate travel policy compliance to mandating compliance with policy, integrated with end-to-end traveler tracking systems. However, as of today, action has been limited – only 20% completed a restart plan, 19% haven't considered creating one, and 61% are in various stages of conducting their assessment.⁴

There is a Path Forward

According to the U.S. Bureau of Transportation Statistics, U.S. air passenger volumes took three (3) years to fully recover from 9/11, and more than seven (7) years from the Great Recession. Rates of recovery in other countries varied considerably based on local or regional dynamics. While significant uncertainty remains about the forward impact of COVID-19, one certainty is that travel will not be the same as it was before.

With governments and media constantly enforcing the idea of maintaining social distancing and avoiding other humans, expectations are that demand for travel will be limited for the foreseeable future. Employers have adopted extensive “work from home” programs and business travelers have become accustomed to it. As a result, a structural – and perhaps permanent – change has taken place. Business travelers may be hesitant to make that next trip and employers will likely be hesitant to force the issue. Rebuilding the trust that was lost in this pandemic across the travel industry and overcoming fear will be challenging. We caution that demand may be slow to recover as a result.

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We're out of the paper business.

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- Global Travel & Expense Manager

TCG Global Insights Webinar on Technology and Workflow Integration During and After COVID-19



Consequently, for the travel industry in general, consumer demand will drive any market recovery. In the short-term (likely through the end of 2020), TCG expects the corporate travel industry to remain a buyer's market. Although we are forecasting there might be short term gains in procurement, the trend may quickly shift up or down given the volatile market conditions.

Since the pandemic started, TCG has continued to strategize and take action on behalf of our clients and the results have been excellent. We believe that the pandemic has presented corporate buyers a historic negotiating opportunity, integrating a broad spend-under-management strategy underpinned by TCG's TCO-TMPE® platform.

Buyers and Suppliers alike will need to adapt to a new normal. On the buyer side, advances in technology will enable travel programs to automate many previously manual processes. Travel programs with fully integrated end-to-end solutions inclusive of Payment and Expense positioned themselves to swiftly adapt and respond to evolving and future market changes. In the process, these programs gained scalability, incremental and sustainable savings and partnered user acceptance with organizational strategic imperatives.

As organizations navigate varying levels of digital transformation, connecting Corporate Payments (Card) across TMPE, and beyond, is a natural evolution. Virtual cards as a method for corporate payments are not only gaining popularity, in some cases they have completely replaced paper checks and ACH.

“We're out of the paper business”, is the message we heard from a Global Travel Manager on TCG's recent Global

“

We can no longer afford to track travelers solely from Agency bookings. We need to connect our Agency to Expense Management.

”

- Chief Procurement Officer

TCG Global Insights Webinar on The Impact of COVID-19 on Travelers and T&E Programs



Insights Webinar discussing Technology and Workflow Integration. Expense Reports have gone digital, with e-receipts being the dominant source in an audit trail (except where paper remains a statutory requirement).

Automation of TMPE processes – from request to approval to booking to payment to expense submission to reimbursement to client billing and budget planning – provides companies with access to more robust data and reporting, while empowering organizations to act in real-time and on a much broader scale.

Now Is the Time to Be Proactive

No one can predict exactly what the ‘new normal’ will look like, and we are not claiming to have such an answer. Nonetheless, in our view, when navigating through times of global turbulence and uncertainty, it is critical to focus on the horizon.

Despite the damage done, times of crisis often lead to improvements and new opportunities. In the early days of the of Great Recession, White House Chief of Staff Rahm Emanuel noted, “You never want a serious crisis to go to waste.”

We strongly believe that the COVID-19 pandemic presents a unique opportunity for every company and organization to assess and recast their travel management program, systems and processes, and thus emerge from the COVID-19 crisis stronger and more resilient than before.

TCG's TMPE Restart Plan is a five (5) phased data-driven and action-oriented approach that can help organizations do just that.



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About TCG Consulting

TCG Consulting has taken a different approach from competitors, guiding our clients to deepen organizational understanding and value within travel by managing beyond travel with our patented Total Cost of Ownership for Travel, Meetings, Payment and Expense (TCO-TMPE®) solution. With over 25 years of experience working with companies of all sizes, in a variety of industries and across TMPE, TCG has a proven track record of delivering value on more than 1,400 customer engagements, including existing clients who represent \$26B+ in TCO spend under management.

TCGConsulting.net

1-TCG's Benchmarks indicate that companies spend as low as 0.38% of Top Line Revenue - and potentially as high as 13.5% - on T&E Expenses annually, with an average company spending approximately 1.68% of Revenue on T&E Expenses

2-Based on TCG benchmarks, TCO costs range between 8% and 23%, with a mature and efficient travel program typically experiencing between 14% and 19%, above Total T&E Expenses posted to the General Ledger. At 16% TCO, T&E spend at 1.68% of top line revenue would actually be ~1.95% when factoring in hidden T&E costs that are not posted to the General Ledger (1.68% x 116%)

3-TCG's Benchmarks indicate 59% of T&E Spend, on average, is fulfilled by a Travel Agency

4-TCG Global Insights – Survey results (May 2020)