

# TRAVEL MANAGEMENT

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## Annual Hotel and Car Rental Negotiations Review Part II

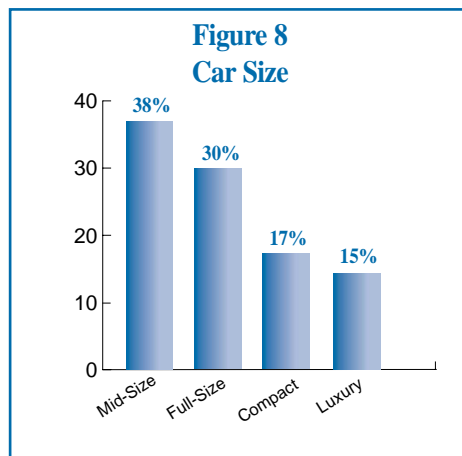
In August, *RRTM* began its series on vendor negotiations. In this issue we will focus on car rental negotiations and report on discount arrangements, concessions received, "soft-dollar" benefits, and satisfaction levels.

As the price of private automobiles drops, car rental rates will likely stabilize or drop also. Car rental can be a terrific bargain—the flexibility of its usage may lower other costs of lodging and airfare when used in combination with alternative airports and one-way rental to connect more than one destination on a trip.

Table 17 provides annual car rental expenditures. The largest single group (40%) reports annual car rental purchases at less than \$500,000. However, 38% report costs of more than \$1 million. When compared with 1997, increased car rental expenditures are apparent.

	1997	1998
Less than \$500,000	57%	40%
\$500,001 to \$1 million	11%	22%
More than \$1 million	32%	38%

Travel managers report an average of 46,857 annual car rentals; the median figure is 4,454. Of these rentals, the largest single category of vehicles (38%) is the mid-size; 30% are full-size (Figure 8).



**RRTM COMMENTS:** *With migration to the suburbs of many home offices and branches, flexible ground transportation is on the rise. Safety may be of greater concern to organizations, allowing increased usage of mid- and full-size vehicles, but this phenomenon may be attributable to increased affluence among business travelers who may be tooling around their own neighborhoods in SUVs.*

Ninety-four percent of survey respondents contract with a car rental company in exchange for reduced rates (Figure 9).

The average length of contract is 18 months (median length is one year). Travelers typically toe the line, as 91% of car rental expenditures are with preferred vendors.

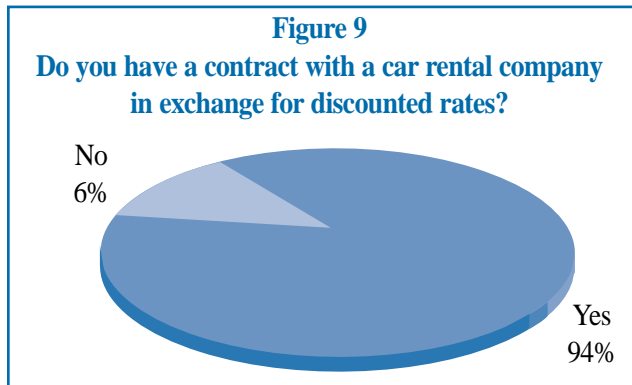


Table 18 offers a comparison of rate concessions negotiated with car rental agencies. The vast majority of respondents, 80%, negotiate flat rates only.

Table 18 Type of Concessions Negotiated		
Type of Discount	1997	1998
Flat rate per day	82%	80%
Combination flat rate per day/discount off published rates	12%	10%
Percentage discount off published rate	5%	7%
Other	1%	3%

**RRTM COMMENTS:** Flat rates are advantageous for car rental volume buyers. They are typically:

- easier to negotiate on a national basis
- easier to monitor and reconcile
- easier for travelers to remember (and therefore obtain)
- do not fluctuate with changing base rates

One problem with flat rates may be that travelers will

*rent on Thursday at the flat rate even though a market rate is much lower. Some companies encourage travelers to shop if their agreement with the car company includes full coverage of issues other than price when a lower market rate is found.*

Of companies negotiating a flat rate per day, 45% indicate a rate of \$41 to \$45 (Table 19). More than one-third (35%) report paying \$36-\$40, 17% percent pay \$31-\$35, while 3% pay \$46-\$50 per day. Evenly distributed are percent discounts off published rates, with 25% of respondents achieving discounts in all categories with the exception of “31% or More” achieved by no one (Table 20). The average daily rate per day under this arrangement is \$41, closely matching the average daily flat rate.

Table 19 Negotiated Flat Rate Per Day	
Flat Rate	Percent
Less than \$30	0%
\$31-\$35	17%
\$36-\$40	35%
\$41-\$45	45%
\$46-\$50	3%
\$50 or More	0%

Table 20 Percent Off Published Rate Achieved	
Percent Off Rate	Percent
0-15%	25%
16-20%	25%
21-25%	25%
26-30%	25%
31% or More	0%

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Table 21 reports the most popular concessions received through car rental negotiations including: unlimited mileage (90%), premium club memberships (80%), and insurance concessions (CDW, PAI, etc.) (73%). To a lesser degree, some organizations are assured upgrades (47%) and waiver of drop-off charges for one-way rentals (30%).

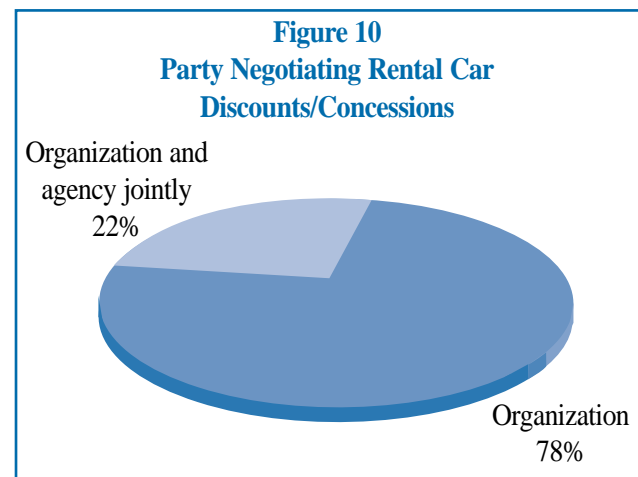
<b>Table 21 Concessions Achieved from Car Rental Company</b>	
<b>Concession</b>	<b>1998</b>
Unlimited mileage	90%
Premium club memberships	80%
Insurance concessions (CDW, PAI, etc.)	73%
Upgrades	47%
Waiver of drop-off charges for one-way rentals	30%
Elimination of add-on charges for one-way rentals	23%
Free delivery of vehicles to corporate headquarters or other office locations	20%
Other	10%
<b>Total exceeds 100% because of multiple answers.</b>	

**RRTM COMMENTS:** *As more organizations' travel policies allow for rental of mid- and full-size vehicles, upgrades become dispensable. Travel managers may want to address the monumental auxiliary taxes that are adding as much as 40% to base rates. Thus, a compact car saves money on both rate and taxes; as a general rule, economy and compact vehicles go first, so an automatic upgrade is often what happens to travelers who book compacts.*

Commitments made to gain discounts or concessions are shown in Table 22. No commitments are required in exchange for discount rates for 43% of respondents. Of those respondents making commitments, 39% guaranteed annual dollar volume to their supplier and 11% gave exclusivity to vendor.

<b>Table 22 Commitments to Gain Discounts/Concessions</b>	
<b>Commitment</b>	<b>1998</b>
No commitments	43%
Annual dollar volume	39%
Gave exclusivity to vendor	11%
Other	7%

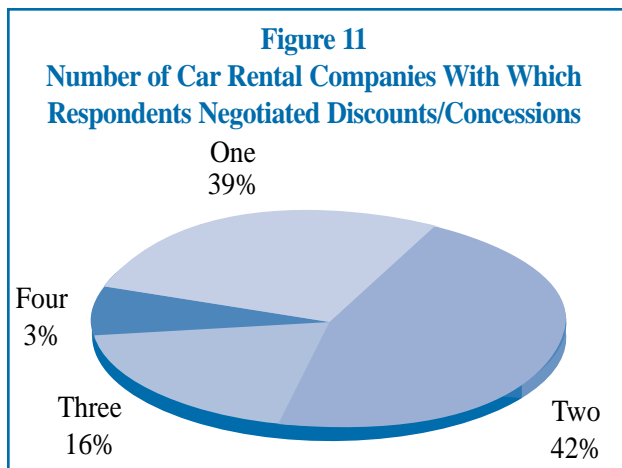
When asked who negotiated car rental discounts and concessions, 78% of respondents indicate they are responsible, while 22% are assisted by travel agencies (Figure 10).



Almost all respondents (97%) negotiate car rental contracts nationally (Table 23). Those negotiating on a regional basis comprise 13%, and only 7% negotiate with individual car rental outlet managers/sales representatives.

<b>Table 23 Company Contacted for Negotiations</b>	
<b>Company</b>	<b>1998</b>
Car rental companies on a nationwide basis	97%
Car rental companies on a regional basis	13%
Individual car rental outlet manager/sale representative	7%
<b>Total exceeds 100% because of multiple answers.</b>	

As Figure 11 (page 4) reveals, 39% of organizations negotiated with one car rental vendor. Forty-two percent negotiate with two suppliers. Only 19% negotiate rates with three or more vendors.

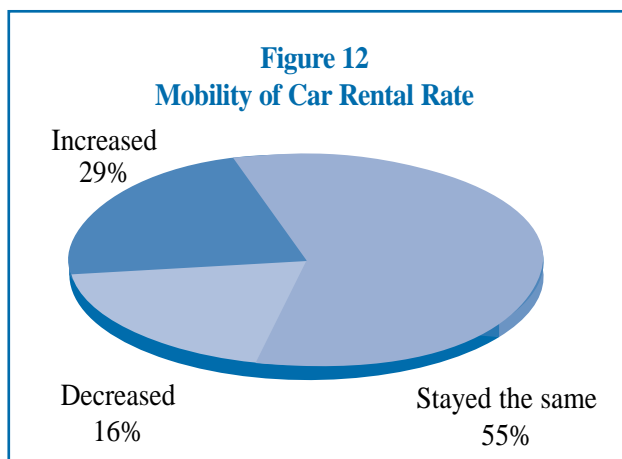


**RRTM RECOMMENDS:** *Restrict national contracts to one vendor. If your supplier doesn't have to share priority, concessions will likely improve. However, if you have intense demand in one city, consider negotiating separately with either your primary supplier or others for that market only. Car rental companies use the terminology "blended rate" for contracts; what this means is a sort of median rate and may not represent savings potential from city-specific deals.*

The top four car rental companies used by respondents' travelers are:

1. Hertz
2. Avis
3. National
4. Budget

Nearly all respondents (94%) have not changed their primary car rental vendor in the past year. Fifty-five percent of respondents feel their car rental rates have remained the same over the last 12 months; 29% report an



increase (Figure 12). Of those reporting increases, percentages by which rates have increased are provided in Table 24.

**Table 24**  
**Percentage Car Rental Rates Increased in Last 12 Months**

Less than 1%	22%
1-2.9%	26%
3-4.9%	26%
5-6.9%	5%
7-9.9%	0%
10-14.9%	16%
15% or More	5%

Other than rate considerations, factors considered when selecting a car rental vendor include: service quality (85%), domestic geographic coverage (81%), airport location (65%), and speed of rental (62%) (Table 25).

When all is said and done, respondents are generally satisfied with car rental negotiations as shown in Figure 13, (page 5). Nearly three-fourths (74%) of respondents rate their car rental negotiations a "4" or "5," compared with only 35% who rate their hotel negotiations that highly.

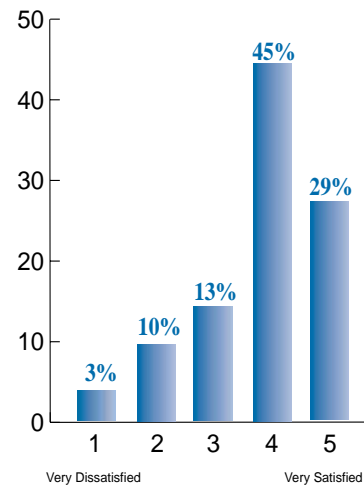
**Table 25**  
**Factors Other Than Price Considered When Selecting Car Rental Vendor**

Factors	1998
Service quality	85%
Domestic geographic coverage	81%
Airport location	65%
Speed of rental	62%
Speed of return	58%
Traveler preferences	39%
International geographic coverage	23%
Report capabilities	23%
Other	23%
<b>Total exceeds 100% because of multiple answers.</b>	

**RUNZHEIMER COMMENTS:** *Car rental can pave the way to overall travel cost savings. For example, Boston can be accessed through lower-cost Manchester airport; lower fares are readily available by way of Chicago's Midway thereby bypassing one of the nation's busiest airports, O'Hare. Car rental can also reduce lodging costs— traveler may select an economy hotel a few miles farther away from his/her final destination and save more than the price of car rental.*

Vendor negotiations are well worth the time and effort expended. As your knowledge of travelers, volume structure, corporate power structure, and your suppliers increases, likewise will your skill, comfort level and success.

**Figure 13**  
Satisfaction Level with Car Rental Negotiations



## ACTE XI - Another Gold Star

by Senior Runzheimer Consultant Rolfe R. Shellenberger

Runzheimer attended ACTE XI in Washington, DC, May 23-25, 1999. Again, this elite aggregation of representatives from all corporate travel related interests was treated to an excellent smorgasbord of relevant educational topics and opportunities for networking.

### Overall Impressions

ACTE (Association of Corporate Travel Executives) was founded in 1988 by a group of people who felt that exclusionary policies of NBTA (National Business Travel Association) diminished opportunities for discussion of mutual needs among suppliers, corporate travel managers, and corporate travel agencies. ACTE's original and continuing charter is to sponsor educational events for professionals involved in corporate travel. They certainly succeeded in meeting that goal in 1999 as they have consistently each year of this organization's existence.

ACTE XI dealt well with a problem related to its success in attracting members: Conference attendance has become so strong that some members attending ACTE X

in New Orleans felt deprived of opportunities for networking as logistics of moving large numbers of people ate up time otherwise available for personal exchanges. Actual blocks of time for networking were built into ACTE XI's schedule and many participants expressed satisfaction that this really worked.

Consensus was reached very early that both location and ambiance of this event assured satisfaction. An educational program well-sprinkled with light touches and serious issue management was enhanced with attractive social programs. The Grand Hyatt in Washington had generous resources to accommodate another large crowd. Food was excellent; entertainment events were elegant and convenient.

Co-Chairs Jonathan Stobart of Seagrams and Cary Erickson of United Airlines brought smiles every time they introduced a session. Their congeniality and good humor were infectious. When Cary Erickson walks across a dais, she almost dances and everybody enjoys watching her!

Runzheimer attended most sessions and several seminars, all of which were valuable educational experiences. Following are highlights:

### **ACTE President Earl Foster's Welcome Address**

In a well-crafted message, Earl Foster pointed out that travel management is now a business function that involves all aspects of corporate management. Travel management professionals have now embraced, and must continue to embrace, all objectives and resources associated with their enterprise. They have a heightened role in affecting corporate prosperity because they not only must manage travel itself but also alternatives to travel.

ACTE's conscious and continuous commitment to educational programs for members has led to their high levels of knowledge and skills, but we should not expect that task ever to end, as change imposes itself at every turn of the road. ACTE members are thoroughly immersed in a "new era of information and finance," and must be able to "deal with it head-on."

### **Keynote Speech - Faith Popcorn**

This fascinating marketing high priestess and swami promptly justified her verbal creativity as she introduced us to "Eve-olution," representing dominance of women in marketing. She stated that "everything matters" to her gender and pointed out that women now possess courage, they are letting go of cherished old anchors, they have significantly greater insight than male counterparts, they are comfortable with commitment to tasks and to objectives, and they now routinely possess valuable know-how.

Popcorn, who coined the concept of "cocooning," weaving one's own isolated web of comfortable and geographically self-contained existence, suggested that cocooning and "clanning" may threaten airlines because people will ordain their own inertia (they will be disinclined to go anywhere because they can "have it here"). She also pointed out that women seek "relationships" and only buy things peripherally.

Another phenomenon she cited is emergence of spirituality in business. Apple Computers uses the Dalai Lama in ads; other advertisers invoke angels and fantasy to sell their products.

Faith Popcorn is certainly a phrase-maker. She describes minivans as "moving cocoons" and talks about "MOBY's" (mobile youth) as replacements for YUPPIES and Generation X. Her presentation was entertaining and provocative even to those of us who remain somewhat chauvinistically porcine males.

### **Keynote Speaker - Dan Thurmon**

I am sure a good many ACTE members like myself were astounded when they saw a keynote speaker begin his presentation by cartwheeling across the stage. Not only did he intersperse some good practical advice with exhibitions of his tumbling expertise, he also demonstrated professional skills as a juggler, pointing out the inevitability of dealing with "many balls in the air" as we pursue our professional responsibilities. How appropriate for a group of harried travel professionals!

### **Perspectives from the Top ( Mega-Agency Executives Roundtable)**

A recent fixture at ACTE conferences, this general session was moderated by Alan Fredericks, executive editor of *Travel Weekly*, and was probably more elucidating than any of its predecessors. Less "me-tooism" and less one-upsmanship made for better value and for gaining insight into some very major problems and issues facing corporate travel agencies.

Views on penetration of Internet booking (E-Commerce) were realistically conservative, but all executives agreed that its expansion is inevitable and ultimately electronic travel purchasing will be at a rate comparable to use of ATMs in banking.

What didn't quite congeal in this excellent panel was a sense of how travel agencies will be performing useful

roles in corporate travel when their version of “tellers” has been displaced with PC access. We find it hard to imagine that all entities in this field will become “consultants,” but that was mentioned.

***RUNZHEIMER COMMENTS:*** *Runzheimer predicts that travel management companies ultimately will function as assemblers and consolidators of destination services and that they will be compensated either by markups on packages they put together or by sharing in savings achieved by their corporate clients. We doubt that “finding lowest airfare at point of booking” will be their most valued function. In an information era, they will collect data and build services around their ability to use data constructively.*

## Seminars

Runzheimer’s consultant attended four seminars at ACTE XI. Details are deliberately omitted because of limited space; readers should plan to become ACTE members and see for themselves what a valuable educational experience it can be.

A very well-managed seminar program was frustrating because it was almost impossible for us to cover everything we wanted. We attended a light-hearted but valuable presentation by representatives of two recently-merged accounting firms, whose focus was on how to deal with merged travel needs. Price Waterhouse and Coopers Lybrand, which merged in 1998, were represented by Jim Lennon and Mark Williams; David K. Hillman, of Deloitte Consulting, moderated. They gave good strategic guidance to any organization that faces amalgamation with another.

Another seminar on “Managing the Global Travel Program” was moderated by Carol Salcito, president of Management Alternatives, and featured Graham Chalmers, IBM’s procurement manager; Herman J.G. Mensink, former general manager of travel management for Royal Philips Electronics and now director of ACTE for Europe, Middle East and Africa; and David Jaqua,

vice-president, PRISM Group, Inc. Some practical points made by Mensink:

- 80% cooperation and compliance is enough; lets some mavericks to go their own way.
- If your culture is dictatorial, your company’s globalization program will take four times longer than if it is participative.
- Focus on non-product-related issues to gain participation, e.g. who travels and why they travel.
- **Time** will always be an overwhelming obstacle; it always takes longer than you think.
- Communication needs to be tailored relative to functions of travel council members.

We found David Jaqua’s insights quite appropriate, also. He said that expectations are seldom achieved in global travel programs despite apparent synergies from consolidation because local units have their own deals in place. I particularly liked David’s phrase, “tribal travel policies,” referring to local units’ ways of doing things that may resist intrusion of over-arching initiatives. He also touted, realistically in our opinion, use of third-party suppliers to massage data from various sources: “In-house solutions are costly and fail.”

“CEO’s Speak Out with ACTE President Earl Foster” was an enlightening series of tapes reflecting views of chief executives of major travel companies. Nigel Coombs, a British journalist and broadcaster, expertly moderated this session, which was alone well-worth attending ACTE XI. Issues were identified and tapes were cued to comments by executives in response to questions and comments. It involved highly sophisticated technical coordination but made participants feel as though they were involved in direct interaction with the CEOs.

Runzheimer feels that detailed attention needs to be given to one seminar at ACTE XI because the topic, “Strategic Sourcing,” will become a broadly adopted initiative in all companies worldwide. We have thus presented our review and commentary on this seminar as a separate article.

# Strategic Sourcing - Theory and Practice

## Report on a Seminar at ACTE XI in Washington, DC, May 23-25, 1999

*Runzheimer has worked with four or five different firms in the past year as part of strategic supply management initiatives. We are impressed that virtually every company undergoing this broad examination of procurement processes has placed business travel high on a list of areas where action can produce significant corporate benefits.*

In this ACTE XI seminar, Gloria Keltner of Hewlett-Packard Company and Taylor O'Malley of Deloitte Consulting Group presented an overview as well as a case study of how this kind of project works. Taylor O'Malley's overview introduced several key solutions expected from an enterprise-wide strategic sourcing initiative:

1. Reduce total "external spend" costs of materials and services while increasing quality and service.
2. Upgrade purchasing leverage by decreasing numbers of suppliers.
3. Optimize supply chain and inventory levels on a commodity by commodity basis. *Recognize that travel really is a commodity.*
4. Improve project team's overall level of commercial skills while reducing excessive levels of requisitioning activity. *Commercial skills application is the heart of business planning and operations; every travel manager needs to have this orientation to survive and perform professionally.*
5. Build the organization's competitive position through sustained improvement in cost and supplier value. *How you manage travel impacts profit, thus making great contributions to corporate competitiveness.*

**RUNZHEIMER COMMENTS:** *In travel, corporations must decide what they define as products; if, for example, air transportation generically is defined as one product, "putting all eggs in one basket," i.e., contracting with one airline or one alliance might make sense. If, however, a corporation defines its travel purchases as trips, a strategy of few or one supplier per city-pair or destination could likely fetch greater savings. "Divide and conquer" still has some validity.*

Companies in recent years placed major emphasis on re-engineering and productivity improvement—code words for laying off people; thus, strategic sourcing initiatives are a refreshing change because profit improvement is not necessarily at the risk of discarding valuable employees. Strategic supply management looks for best opportunities for price and policy savings; travel is universally on that list.

Mr. O'Malley's chart comparing traditional procurement focus with strategic sourcing's enterprise-wide focus clearly changes the value equation: "purchasing" expertise is converted to "value engineering" expertise. In that change is a subtle message that both supplier and buyer need to explore mutual benefit from any agreement. No longer can a buyer "wring out" concessions from a reluctant supplier. No longer can a supplier expect to bamboozle a buyer with phony numbers and superficially defined advantages.

**RUNZHEIMER COMMENTS:** *Sometimes the travel industry can be deceptive and can obfuscate value issues. For example, hotels typically charge more for room service than for dining room service when, in truth, delivering a meal to a room is much less expensive than delivering it to tables nestled among potted palms and covered with stylish flatware, glassware, and napery. A hotel representative expressed resentment when Runzheimer reported how a customer routinely tests hotel pricing policy by inventing a rate and asking for it at the front desk (his invented rate is usually accepted). Airlines never volunteer methods to reduce cost or gain faster access to a destination. Agencies hid override commissions under the table for years even though it affected their advocacies to clients. Currently, fees for agency service are improperly rationalized. Airlines are pretending their net fares are net net when override commissions automatically disappear upon concluding a contract with a corporate buyer.*

Benefits from strategic sourcing listed by Mr. O'Malley are substantial:

- Cost reduction on an Enterprise-wide basis of 5% to 20%.
- Improved supplier relationships.
- Broad interdisciplinary involvement on process leading to more innovation and flexibility in contracting.
- Extension of business skills throughout Enterprise because techniques and knowledge of special requirements are inevitably a part of constructive solutions.
- A better base for re-engineering supply chains.

These benefits derive from better knowledge and understanding of supplier motives and needs:

- More constructive use of competitive alternatives *Alternate airports or routings; exploitation of existing pricing values like Around-the-World airfares*
- Possibly investment in making a low-cost supplier a more competent business. *Chrysler and GM's subsidy of ProAir*
- Setting up standards for pricing and monitoring against those standards. *Per diems, Runzheimer's Daily Travel Prices, trip modeling*
- Adjusting demand specifications. *Travel on off-peak days to reduce costs; extend trips to lower average costs of travel*

Mr. O'Malley's presentation ended with a detailed outline of the "Approach Overview for Each Commodity Team" and toughest challenges facing installation of this kind of program. Those challenges are readily visible for travel:

- Getting executives involved, *i.e., vs. travel or purchasing specialists only*
- Getting people to change historical buyer-supplier relationships, *i.e., switching airlines or hotels for a given destination*
- Getting Enterprise-wide buy-in, *i.e., not letting some offices pander to frequent flyer program preferences*
- Obtaining proper resources for this project, *i.e., asking travel managers and others to do it in their spare time without proper functional coverage*
- Maintaining top leadership commitment over life of

project, *i.e., after you signed that deal with Delta, the CEO is satisfied and will look at opportunities other than travel*

Mr. O'Malley's final comment: **Technical** aspects are **not** the toughest.

### A Case Study - Hewlett-Packard Corporation

Gloria Keltner of Hewlett-Packard discussed her company's Strategic Sourcing initiative and it coincided closely with Mr. O'Malley's generic description. Interestingly, H-P used A.T. Kearney as a consultant to facilitate achievement of project goals. A.T. Kearney was a key player in defining strategic supply management; all consulting firms have pretty much played by A.T. Kearney's rules.

H-P cited key ingredients for its program:

- A global effort.
- Includes all indirect goods and services comprising about \$7.5 billion in costs.
- Alignment with ongoing cost-improvement efforts.
- Requirement for support by existing functional specialists to ensure results are sustained.

In H-P's case, employee travel was its largest single spend item in this project, at \$500M. Its breakdown of travel subcategories compares to Runzheimer's model for very large companies:

	H-P	Runzheimer Survey & Analysis 1998
Air transportation	50%	42%
Lodging	20%	25%
Meals	10%	10%
Car rental	5%	10%
Other ground transportation	5%	
Personal car costs	5%	
Travel agency	5%	

Note that H-P has a significant portion of its total travel expense occurring overseas where use of car rental is less intense and airfares are higher. Also, H-P uses net fares; accordingly, air transportation is understated as a percent of total expense; travel agency and air transportation should probably be combined.

H-P experienced savings of 3-11% on sourcing (negotiated pricing with fewer suppliers) and from 6-9% on travel policy initiatives: increased use of discount airfares; reduction/elimination of first class usage; consolidation of air, hotel, and car rental reservations.

H-P's presentation included an intriguing visual showing how savings opportunity can be assessed. Key issues that define more savings opportunity are:

- Weak travel policy.
- Requirement for use of lowest airfare.
- Less than 50% of travel reservations booked through corporate agency.
- Discounts on airfares of less than 10%.
- Responsiveness of travelers to changes in preferred suppliers.
- More than 10 cities with 2,000 or more room nights per year.
- More than 40,000 car rental days per year.

***RUNZHEIMER COMMENTS:*** *Runzheimer questions some of these savings opportunities. As a general rule, companies with a policy requiring use of lowest airfare seldom abide by it; if they did, airlines like Frontier and Vanguard would be full all the time. We also find "discounts" to be somewhat meaningless if suppliers continually raise prices, a chronic disease among travel services. Fixed rates and fares are a more reliable negotiation objective. While we agree with H-P's volume qualifications for hotels and car rental, we don't really think that volume itself should be a basis for reduced pricing unless the hotel or car rental company saves significantly on its operations costs. A better value from a supplier standpoint might be percent of off-peak demand, longer average length of stay, and longer average rental duration. Such elements enhance intrinsic value as a customer and reduce suppliers' operating expenses.*

H-P saw these potential barriers to Enterprise-wide strategic sourcing (*italic comments are ours*):

- Desire of individual sites to retain complete autonomy  
*"In travel, "Don't take travel counselor Suzie away from us"*
- Too many competing initiatives *Strategic sourcing is positioning travel more prominently than it has ever been before*
- Comfortable relationships with existing vendors  
*Vendor change should be expected and welcomed if value improves*
- Lack of cross-business unit cooperation *"We have to fly United in Denver; don't ask us to change"*
- Doubt that opportunities exist *"Every time I find a good fare or hotel rate on the Net, it isn't available when I book"*
- Lack of cross-functional cooperation *"We play by Marketing's rules, not what a bunch of desk jockeys come up with; travel is our privilege and we're the company's bread and butter"*
- Lack of adequate data to support analysis *"How do you know I could have taken a lower fare?"*
- Inadequate monitoring and control systems *"I had to take a car rental for my hotel transfer; no taxis were available"*

Generic aspects of H-P's success demonstrate why so many companies are undertaking strategic sourcing initiatives:

- Reduction in supplier base results in lower administrative costs.
- Improved relations with top suppliers leading to service extras.
- Leveraged volume leads to lower overall contract pricing.
- National, centralized contract reduced cost and frequency of supplier contacts.

That's what it's all about! You will encounter strategic supply management at your company soon if it hasn't emerged already. It has enormous and beneficial future consequences for corporate travel management.

# International Business Travel Price Index

## Third Quarter 1999

### Index Increases 1.5% from 2nd Quarter 1999

**Runzheimer's International Business Travel Price Index increases to 201.5 for third quarter 1999.**

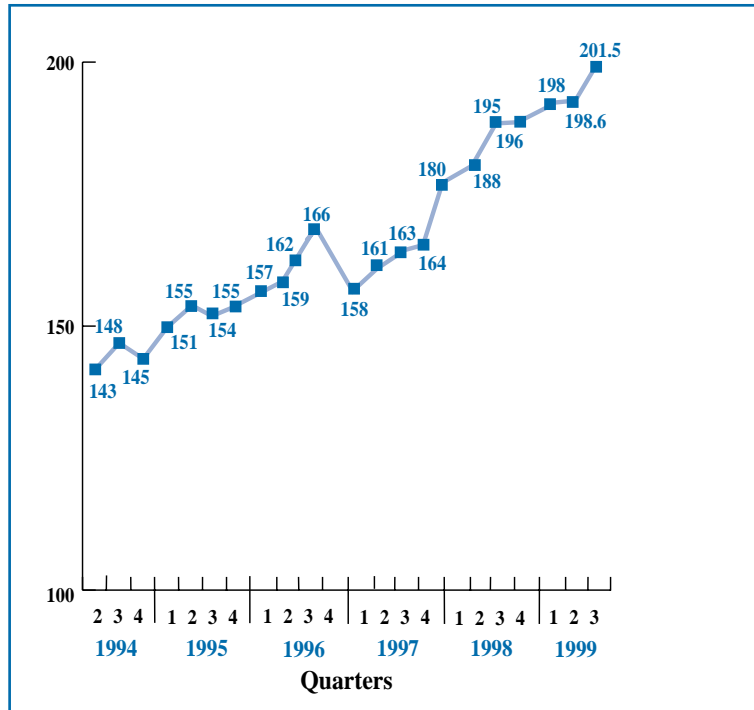
**3rd Quarter 1999**

**Travel Price Change  
from 2nd Quarter 1999**

**Total: +1.5%**

**Components**

**Airfares: +2.6%**  
**Lodging: -2.7%**  
**Meals: -1.1%**



The index consists of a weighted average of three key cost areas: airfare, meals, and lodging. The airfare portion of the index includes 20 city-pairs, with origination in North America, and travel to key cities outside of North America. The destination cities cover five continents. Runzheimer based the city selections on their prominence within their region of the world and their desirability as business destinations, as determined in part by survey data from *Runzheimer's Survey & Analysis of Business Travel Policies & Costs*.

Hotel and meal data are based on hotels and restaurants frequented by North American business travelers overseas. Lodging and meal costs are based on 5 nights of lodging and 6 days of meals (breakfast, lunch, and dinner).

Runzheimer's International Business Travel Price Index is designed to give the North American travel manager the ability to evaluate the movement of international travel costs quarterly, and to anticipate any impact to his or her travel budget. ▲

\*Airfare portion of Index data is provided by Amadeus Global Travel Distribution.

# Domestic Business Travel Price Index

## Third Quarter 1999

### Index Decreases 0.2% from 2nd Quarter 1999

Runzheimer's Domestic Business Travel Price Index decreases to 199.3 for third quarter 1999.

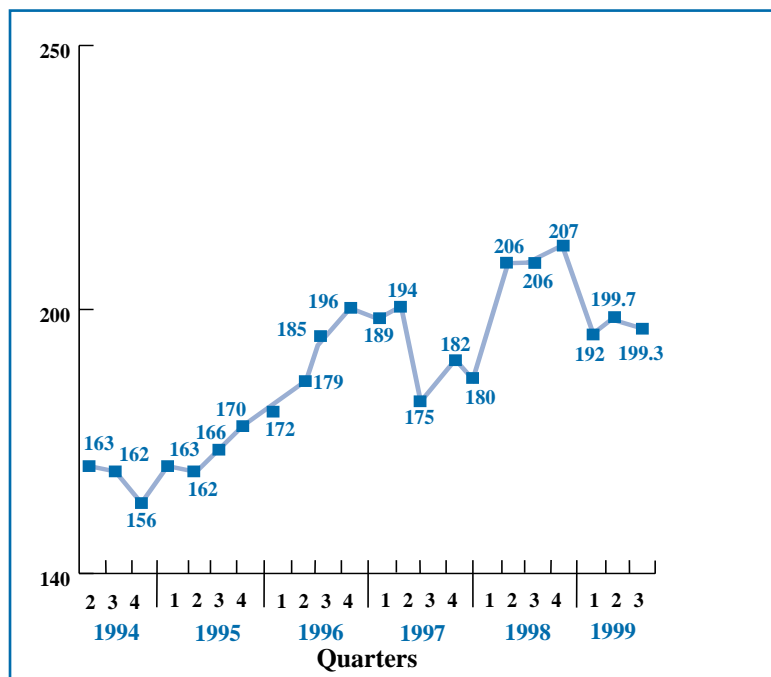
### 3rd Quarter 1999

Travel Price Change  
from 2nd Quarter 1999

Total: -0.2%

### Components

Airfares: +0.1%  
Lodging: -0.2%  
Meals: -0.3%  
Car Rental: -1.5%



Basis of the index through second quarter 1994 is: Average roundtrip business discount airfares between 20 heavily traveled business city-pairs, as reported in an airline reservation system; per diem and car rental rates for three days from the *Runzheimer Guide to Daily Travel Prices*. The base year is 1988, equaling 100. The total Travel Price Change is figured from a weighted average of the components (airfares, lodging, meals, car rental). The Runzheimer Domestic Business Travel Price Index reflects recent trends in business travelers' airline ticket-purchasing habits.

From Second Quarter 1992, after much of the airline industry significantly altered its fare structure, the basis of the index remains unchanged with the following exceptions: The airfare portion of the index is determined by combining "business discount" airfares (which are calculated in the same way in which they were calculated prior to Second Quarter 1992) and "actual coach" fares (i.e., those reduced-rate fares designed to appeal to travelers who had formerly purchased "full coach" or "Y-fares" prior to the restructuring. Note that "actual coach" fares are not necessarily "Y-fares" because some of the airlines have maintained the "Y" designation on some of their fares in markets where travelers are able to purchase "actual coach" tickets at considerably reduced prices. However, in markets where "actual coach" fares are not offered, "Y-fares" are included in the calculation of the index). Note also that the index does not take into account the effects of any losses of negotiated corporate discounts that companies are likely to have experienced. ▲

\*Airfare portion of index data provided by Amadeus Global Travel Distribution.