How to...

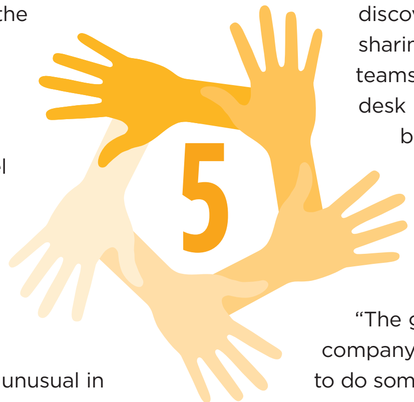
Make serious savings on travel

Oil companies are not overly familiar with cost saving programmes but the unprecedented drop in oil prices has forced many to take swift action. We profile one that did so with remarkable results, reports *Gillian Upton*

THE DRASTIC drop in oil prices over the past year has had wide-ranging ramifications, not least to oil exploration companies themselves. They have had to make significant operational changes and this includes changing the way their travellers move around the world for business.

One particular oil exploration company was fortuitous in that it undertook a major travel review four years ago which made the major cutbacks required this year far less painful.

"We're used to the oil price cycle but this was unusual in terms of the enormity of it and the speed at which it happened. It took companies by surprise," says the company's travel buyer.



The number of TMCs employed by the company pre-consolidation

Over 1,000 engineers, drillers, managers and the like cross the world to join oil rigs and, typically, are on rotation for six weeks. They are also travelling to high-risk parts of the globe and experiencing new cultures.

The company created a taskforce of stakeholders with the specific aim to simplify the business and re-assess business objectives and the locations it wanted to work in the world. Tough decisions were made and many redundancies followed.

But the real work began back in 2011 when an overhaul began of its managed travel programme. A full assessment began that year, an evaluation of existing suppliers followed in 2012 and in 2013 the company staged an RFP to find a single global TMC to replace the five incumbents. Read on to discover what happened next.

The amount the company's travel spend was reduced by

1 THE GROUNDWORK

The project began in earnest in 2011 with the appointment of consultants 3SIXTYGlobal. "We didn't have internal expertise as we had never undertaken global consolidation before. We needed a specialist consultancy with detailed knowledge of the TMC market. 3SIXTY fitted the bill," says the buyer of the decision to outsource the project.

3SIXTY began with a full assessment of the travel programme. It was a programme "full of sticking plasters," they discovered, with five TMCs sharing the spoils and travel teams booking through a travel desk in each country. That booking process worked well but there was no consolidated data, no consistent booking processes or any global travel policy.

"The good news was that the company realised that they needed to do something about it," say 3SIXTY. They recommended a requirement for much better data and stronger duty of care for the company's employees.

2 THE EVALUATION

The following year, in 2012, the project moved in to phase two, which was to evaluate existing suppliers.

The dominant TMC (in the largest market) was high-touch and good operationally but couldn't cope with the company's increasing travel volumes. Nor did it provide any data.

"We concluded that five suppliers would not allow the company to achieve their goals," say 3SIXTY. "They were all very competent agents individually but few had the tools to work in a global environment – most were small, local agents."

Adds the buyer: "It was evident that consolidation was an opportunity we couldn't miss as there was little consistency and all five areas had different systems with each doing their own thing." The best data from one of the incumbents presented a tantalising glimpse of what was possible.

3 THE RFP

Inevitably, an RFP for a TMC that could handle the company's global travel spend was decided upon and

"We're in a great place and we now have data to communicate our messages more strongly"

3SIXTY designed and ran this in 2013. Suitable contenders were reduced to five and the brief stressed the importance of local content in each of the markets the company operated in. Each TMC was visited in-country.

"Local content is part of our philosophy," says the buyer. "We work in some developing countries which need capability development. For our travel programme, we wanted to continue to use local agency employees while partnering with a global TMC."

The successful TMC was appointed in February 2014, based on the strength of its coverage and track record in the major regions the company operates in.

An employee communications strategy highlighted the benefits of the changes, which were to control costs and make staff more accountable.

The amount the average ticket price dropped by post-consolidation

4 GOING LIVE

The TMC had until August 2014 to go live with the account. It immediately consolidated the travel data, enhanced the company's travel tracking capability and was able to negotiate harder on supplier deals on the back of better MI.

As far as air spend was concerned, a change to policy helped reduce costs. The new policy included the use of indirect flights on long-haul sectors as long as the journey time wasn't increased by more than four hours. However, the company retained business class on long-haul flights and downgraded to economy for any overseas internal training courses.

KLM/Air France and Emirates were two of the airlines that benefitted from the change in air policy and huge volume switching, and it caused pushback from travellers.

"Some were unhappy as we were not using British Airways in the same way so they had less opportunity to gain air miles," explains the buyer. They note examples where seasoned travellers tried to circumvent the system by booking air travel on the days when they knew there were no indirect flights. Executive PAs benefited from the changes when the TMC's VIP booking teams met with them to go through the new system and helped them create traveller profiles.

The company also introduced a tighter pre-trip authorisation process to ensure that only business-critical travel is approved – which has pushed the onus onto line managers to pay attention to expenditure – and to have a better idea of whether the trip was eligible for discounted energy fares. "We started to use the marketplace to our advantage," sums up the buyer.

5 THE RESULTS

The TMC provides running reports of savings and they have been remarkable. The company's $40million travel spend was halved, the average ticket price was reduced by 25% – and in some countries by 50% – and hotel prices also came down a little, by 9%.

Advance booking has improved, from one week typically to about two weeks currently, but the goal is reach 21-28 days before travel. "We're getting our travellers to be better organised and to plan further ahead. I'd like them to book multiple trips in a single transaction," says the buyer.

6 THE FUTURE

There are plans to introduce a corporate card programme, which will be challenging as travellers are used to everything being paid for them.

"It will be the biggest change of the new procedures and it will mean a change to the way that travellers manage their expenses, but it will reduce TMC billback fees," says 3SIXTY Global, adding, "We will need to create an appetite for that."

This particular oil company's new travel programme strategies may have been well timed but the buyer is also cognisant of the fact that, "We would not have had a chance [to survive] without having consolidated our travel through a single travel management company.

"We're in a great place and we have data to communicate our messages more strongly. Nobody can argue with facts and figures. Data has been our saviour."

3

The number of hours after which business class is allowed in policy

4

The maximum number of hours a journey time can be increased by to warrant flying an indirect route