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Capturing and Controlling the Invisible Spend

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In cooperation with

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Phocuswright thanks **Concur** for their support of
Capturing and Controlling The Invisible Spend.

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About Phocuswright

Phocuswright is the travel industry research authority on how travelers, suppliers and intermediaries connect. Independent, rigorous and unbiased, Phocuswright fosters smart strategic planning, tactical decision-making and organizational effectiveness.

Phocuswright delivers qualitative and quantitative research on the evolving dynamics that influence travel, tourism and hospitality distribution. Our marketplace intelligence is the industry standard for segmentation, sizing, forecasting, trends, analysis and consumer travel planning behavior. Every day around the world, senior executives, marketers, strategists and research professionals from all segments of the industry value chain use Phocuswright research for competitive advantage.

To complement its primary research in North and Latin America, Europe and Asia, Phocuswright produces several high-profile conferences in the United States, Europe and India, and partners with conferences in China and Singapore. Industry leaders and company analysts bring this intelligence to life by debating issues, sharing ideas and defining the ever-evolving reality of travel commerce.

The company is headquartered in the United States with Asia Pacific operations based in India and local analysts on five continents.

Phocuswright is a wholly owned subsidiary of Northstar Travel Media, LLC.

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Traveler Behaviors and Preferences are Changing

With the emergence of new technology, supplier-direct efforts and shifts due to generational changes, business traveler behavior is changing. As a result, modern managed travel programs must implement tools to capture data from all booking sources. Invisible spend is defined as corporate travel data not captured by traditional means such as TMC reporting. This includes direct-supplier website bookings, as well as bookings with consumer OTA sites. Mobile has added a new wrinkle to the invisible spend dilemma.

It has been 10 years since Apple introduced the iPhone triggering a global smartphone revolution. Smartphones have impacted all aspects of our lives as we now live in a consumer-driven digital world. For the corporate travel community, smartphones are transforming the discipline of corporate travel management. The correlation between smartphone ownership and business traveler is high with 88% of business travelers own/use smartphones, more than those that own/use laptops.

Figure 1:
Web-Enabled Devices Owned/Used

Smartphone	Laptop computer	Talent	Desktop computer	E-reader
88%	82%	65%	54%	20%
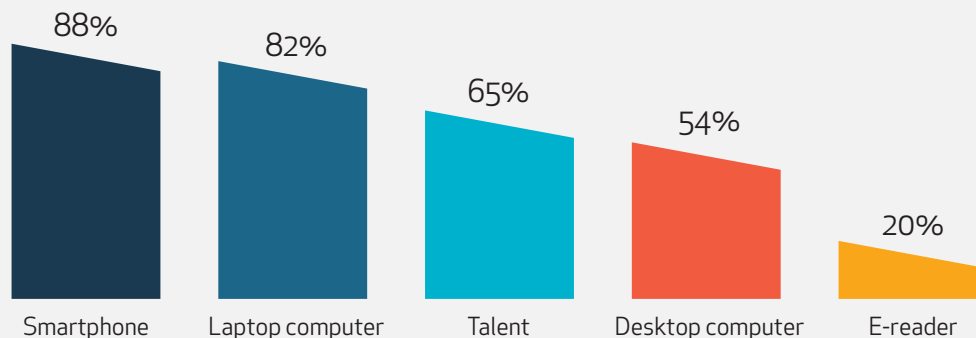
Question: Which of the following web-enabled devices do you own/use?
Base: Total business travelers (N=2,300)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels Are Impacting Today's Business Traveler*
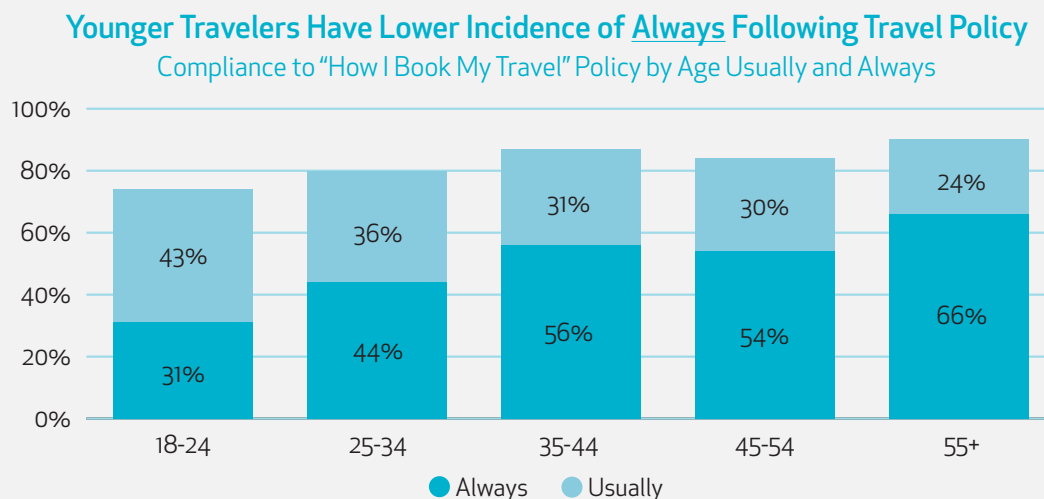©2017 Phocuswright Inc. All Rights Reserved.

For managed travel programs, high smartphone adoption has led to new traveler behavior. While many successful managed travel programs have shifted bookings online, new mobile behavior requires a shift in the way adoption and compliance are measured. While high online adoption remains a valid managed travel goal, the smartphone has spurred new booking behavior, resulting in invisible spend that is often not tracked by many corporations. With the growth of apps and supplier-direct efforts, some of this invisible spend is happening through smartphone apps. This invisible spend can impact duty of care, supplier leverage and compliance management.

Generational Shifts are Changing Managed Travel Strategies

Generational patterns have emerged in respect to policy compliance, mobile sites visited and mobile bookings for business travelers. Most pundits agree that Millennials as a broad age group (18-34 years of age) have unique characteristics, as this generation grew up using the Internet. Grouping this wide age group as simply Millennials can be misleading, as a 19-year-old college student may have vastly different needs from a married business executive in their early 30s. Looking at how policy adherence differs by age groups, our research found that the younger managed business travelers (18-24 and 25-34) "Always" followed policy at a lower rate (31%, 44%) with a higher response indicating that they "Usually" follow policy (43%, 36%). Stating that they "Usually" follow policy indicates the possibility of non-compliant behavior.

Mobile booking patterns also differ by generation. For new and modified mobile reservations, older Millennials, managed travelers between the ages of 25-34, had the highest

Figure 2:
Policy Adherence by Age

Younger Travelers Have Lower Incidence of <u>Always</u> Following Travel Policy
Compliance to "How I Book My Travel" Policy by Age Usually and Always

Question: Please indicate how consistently you adhere to the following elements of your company's travel policy.
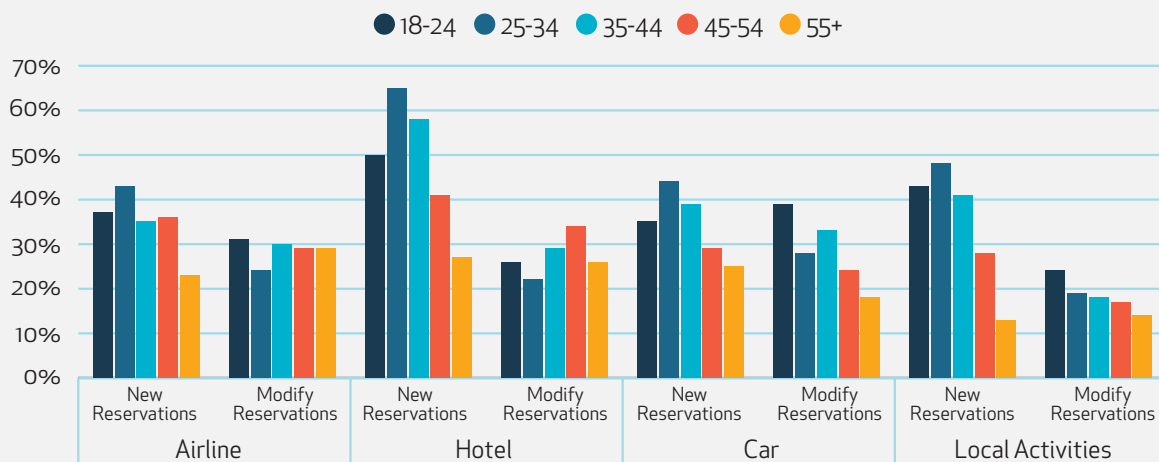Base: Total business travelers at companies with booking policies (N = 1,071)

Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*

mobile bookings for new airline reservations (43%), new hotel reservations (65%), new car reservations (44%) and local activity reservations (48%). For managed travelers ages 35-44, mobile bookings were also significant, with new airline reservations (35%), new hotel reservations (58%), new car reservations (39%) and local activity reservations (41%). With more than half of these two groups having made new hotel reservations on mobile, online attachment rate is no longer the only valid measurement for hotel channel compliance, as mobile bookings clearly distort this traditional key performance indicator (KPI).

Figure 3:
Managed Traveler Mobile Bookings, by Age

Managed Travelers are Booking on Mobile
Managed Travel Mobile Bookings

Question: Which business travel products have you researched, booked or changed reservations for online using your mobile phone?
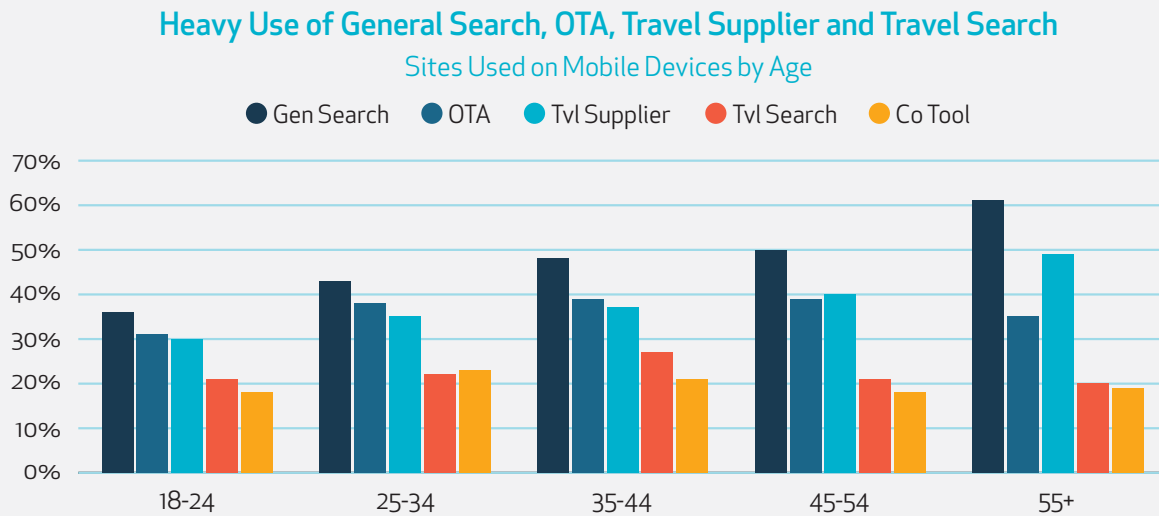Base: Managed business travelers that own a mobile phone(N=908)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*
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Across generations, general search, OTAs and travel search are popular sites accessed via mobile across age groups for managed and unmanaged travelers.

It is interesting to note that the age group with the highest percentage who stated they used travel supplier sites/apps was the 55+ Baby Boomers (49%) while the youngest Millennials 18-35 had the lowest use of travel supplier sites/apps. This can be interpreted in two ways. Older travelers have likely accumulated loyalty status and miles/points, driving them to specific airline and hotel brands. The other interpretation is that younger Millennial business travelers value loyalty less than their older business traveler counterparts. The only way to validate which interpretation is correct is to monitor the use of supplier sites of these younger generations as they mature in the workforce.

The use of OTAs for the overall managed and unmanaged business segment was significant across age groups – 18-24 (31%), 25-34 (38%), 35-44 (39%), 45-54 (39%) and 55+ (35%). Clearly OTAs have an impact on business travelers, whether checking for lower fares or actually booking with OTAs. With significant percentages of travelers stating

Figure 4:
Mobile Sites/Apps Used by Managed and Unmanaged Business Travelers by Age

Question: Which business travel products have you researched, booked or changed reservations for online using your mobile phone?
Base: Managed business travelers that own a mobile phone(N=908)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*
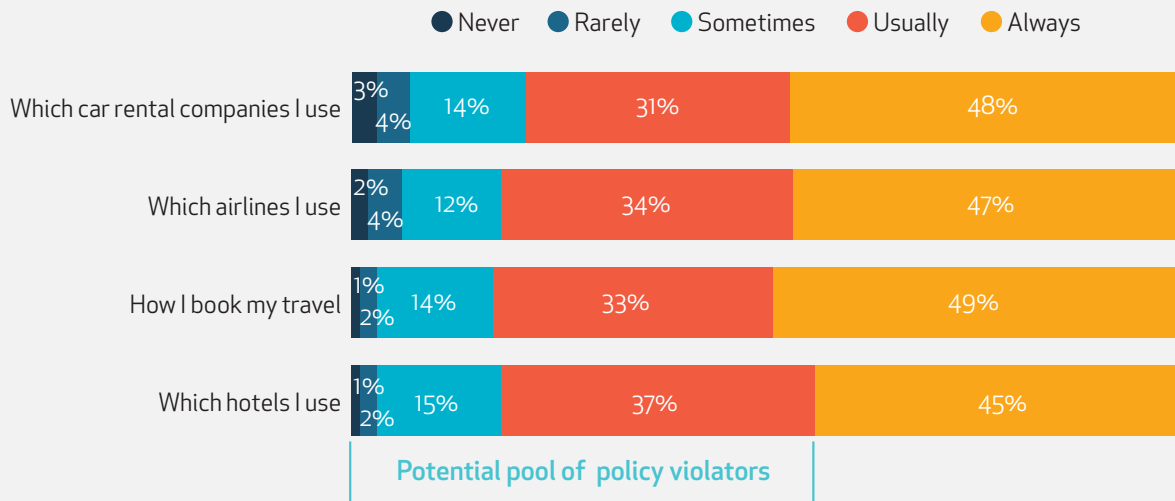©2017 Phocuswright Inc. All Rights Reserved.

that they have booked their travel components on a mobile device, the influence of OTAs on mobile should not be ignored. It is very likely some invisible spend is being booked on mobile devices at either supplier.com sites or OTAs. The capture of this booking data is essential to understand this invisible spend and ensure proper duty of care.

Measuring the Invisible Spend

To manage all spending, corporations need to identify and capture data that is being generated through all channels. The degree of invisible spend depends greatly on corporate culture and policies. In general, most travelers are compliant to policy. As policy often emphasizes the lowest logical fare or rate, the traveler may still save the company money but do so by going outside of the preferred booking channel. The crucial issue is not only measuring the amount of invisible spend, but capturing the data behind this invisible spend and then bringing that data into a managed travel program.

When asked how often managed business travelers consistently adhere to a company's policy around rental car, air, booking channel and hotels, the majority of respondents stated that they Usually or Always follow policy, which can be interpreted as a positive sign of good compliance. An alternate way of looking at this question is to combine the Never, Rarely, Sometimes and Usually categories. This represents the potential pool of policy violators. Though the Never, Rarely, and Sometimes categories are the clearest policy violators, travelers who answered Usually left the door open for occasional policy violations.

Figure 5:
Consistency of Adherence to Company's Travel Policy

● Never ● Rarely ● Sometimes ● Usually ● Always

Which car rental companies I use: 3% / 4% | 14% | 31% | 48%

Which airlines I use: 2% / 4% | 12% | 34% | 47%

How I book my travel: 1% / 2% | 14% | 33% | 49%

Which hotels I use: 1% / 2% | 15% | 37% | 45%
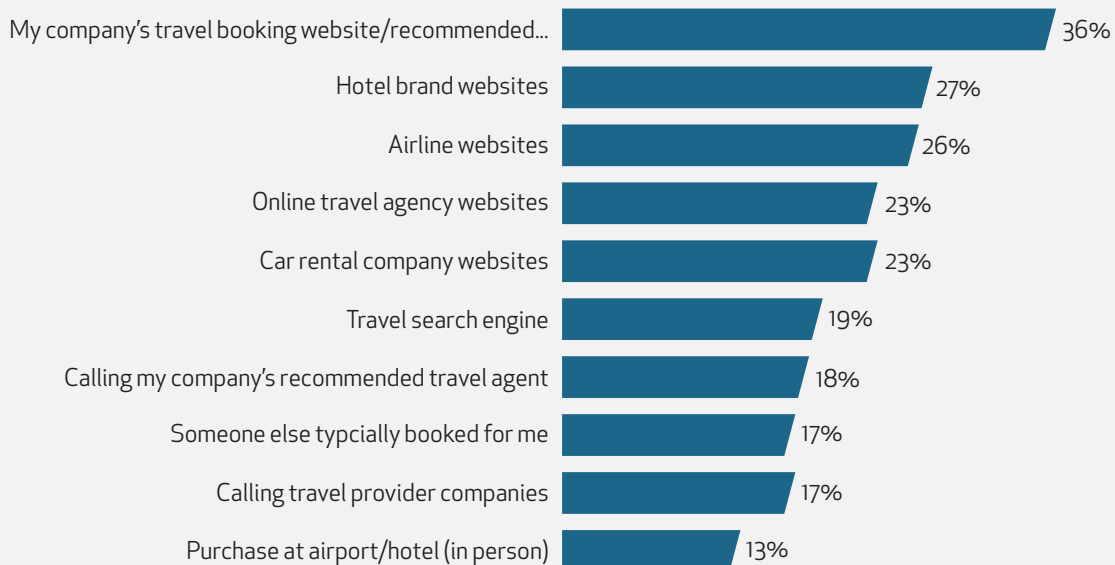
Potential pool of policy violators

Question: Please indicate how consistently you adhere to the following elements of your company's travel policy.
Base: Total business travelers at companies with booking policies (N=1,071)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*
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Though the use of supplier.com websites such as airlines (26%), hotels (27%) and car rental (23%) are natural draw for policy violators, a significant number (23%) of out-of-channel bookings are with online travel agents (OTAs) and travel search engines (19%).

Figure 6:
Managed Travel Preferred Methods of Booking Travel Products

My company's travel booking website/recommended... — 36%
Hotel brand websites — 27%
Airline websites — 26%
Online travel agency websites — 23%
Car rental company websites — 23%
Travel search engine — 19%
Calling my company's recommended travel agent — 18%
Someone else typcially booked for me — 17%
Calling travel provider companies — 17%
Purchase at airport/hotel (in person) — 13%

Question: How did you typically book travel products (such as hotel rooms or flights) for your [X] business trips in the past 12 months?
Base: Managed business travelers (N=1,071)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*
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When a traveler books outside of channel (e.g., not using the company tool or TMC), it may have a direct impact on supplier leverage (e.g., the ability to use all the Company's travel volume during supplier negotiations), policy compliance (e.g., the ability to verify that the traveler took the best rate/fare or preferred supplier) and duty of care (e.g., locating a traveler in case of an emergency). Given the state of global terrorism and natural disasters, duty of care represents a major hole in corporate and security management if the traveler's location is not accurately being tracked due to an out-of-channel booking.

Duty of Care

Surprisingly, our survey indicated that from the traveler's perspective, based solely on their answers to the survey, many larger companies do not have a duty of care program. Less than half (41%) of all companies (managed and unmanaged) with 10,000 employees have duty of care programs, while nearly three quarters (69%) of midsized companies have programs.

Figure 7:
Duty of Care Services by Company Size as Reported by Travelers

Duty of Care Programs by Company Size

Under 100	100-499	500-999	1,000-9,999	10,000+
54%	62%	66%	69%	41%
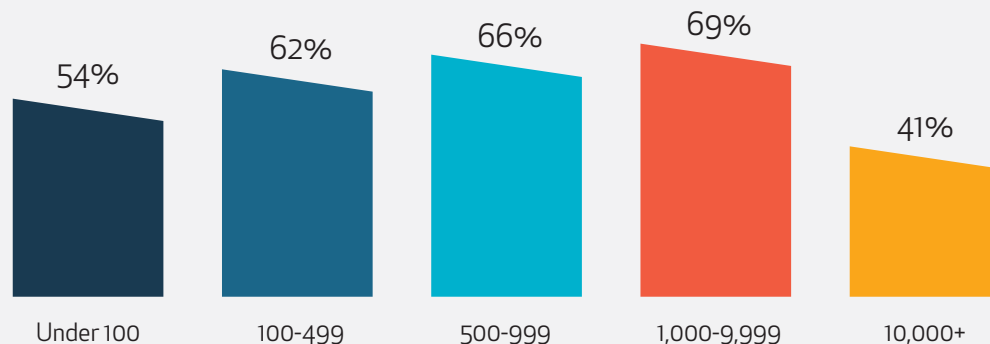
Question: Which of the following statements regarding security apply to your business travel.
Base: Total business travelers - Under 100 (N=939), 100-499 (N=551), 500-999 (N=279), 1,000-9,999 (N=348), 10,000+ (N=182)
Source: Phocuswright's *The U.S. Business Traveler: How Loyalty, Technology and Preferred Channels are Impacting Today's Business Traveler*
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As this is from the traveler perspective, duty of care programs may exist. But without the traveler's awareness the program, bookings outside-of-channel may not be as clear of an issue to the employee.

Summary

Corporate travel has been fixated on online booking adoption for more than a decade. The gains in efficiency and compliance are well-documented. Corporations need to recognize that invisible spend driven by smartphone bookings may be distorting the effectiveness of their managed travel programs. The data on invisible spend exists and must be captured to provide a complete picture on a corporation's traveler behavior. Capturing the invisible spend is essential for supplier negotiations, policy compliance and especially for duty of care. Smartphone bookings are by their nature more difficult to control, especially in an era where bring your own device (BYOD) has become the more common corporate policy for smartphones. With more than 50% of business travelers stating that they had made a new hotel booking on their smartphone, duty of care programs that are dependent on TMC reports could be missing critical information needed to contact employees during emergencies. The new mantra for corporate travel needs to be capture and monitor 100% of spend no matter where it is booked.

Study Background and Methodology

In January 2017, Phocuswright conducted a U.S. Business Traveler Survey with the goal to identify the impact of technology on business traveler behavior. Phocuswright conducted an online survey with 2,300 U.S. adult business traveler responses in January 2017. A business traveler was defined as someone having taken at least one business trip at least 75 miles from home in the previous 12 months that included a flight and/or paid lodging.

The U.S. Business Traveler Survey 2017 had a balance of unmanaged and managed business travelers.

- 1,229 unmanaged business travelers
- 1,071 managed corporate travelers