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Procurement Executive's Outlook:


The Future of Travel Spending

*Insights from the procurement
manager for Booking.com*



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Procurement Executive's Outlook: **The Future of Travel Spending**

Digitalisation, automation and the ongoing tech boom continue to shake up the way our companies operate across the board. New software service providers are stepping up to simplify processes that used to be tedious and cost-intensive. These trends will have a major impact on the future of procurement managers and their teams, which are the control centres of spending in the corporate world. One area that's sure to see major changes in the future is travel spending.

Will the promise of new technologies come true? Will travel spending become more transparent, more flexible, more strategic and easier to manage? Is everything about to change? The answer is: soon, but not immediately. Still, it's time to start watching out for the disruptive new trends that will hopefully improve procurement and travel spending processes in the future.

This eBook looks at the top new developments in procurement and travel spending, from cost savings and new technologies, to changing priorities and future trends. We spoke with Booking.com procurement manager Floor Peper, who shared with us her insider's perspective on some of the big topics occupying the minds of procurement executives today.

Controlling Travel Spend: Keeping Travellers on the Right Spending Path



Procurement managers have many roles to fulfil. New software solutions are already helping them multi-task at a pace that would have been unimaginable in the days of paper contracts, balance sheets and travel fare catalogues. Even the notoriously tricky task of complying with contractual spending obligations is now becoming easier all the time. The advanced analytics tools built into corporate expense management software are becoming more sophisticated. These tools help procurement managers stay on top of spending trends and their travellers' buying behaviours. They alert the procurement manager whenever spending is getting off track – for example, if employees are not booking enough flights to fulfil contractual obligations with a specific partner airline.

Advanced software tools make it easier for procurement teams to take corrective actions that direct the flow of spending. If managers see that a partner airline is not getting the market share they are contractually entitled to, they can adjust their company's internal travel booking system so travellers will be more likely to book with that partner. This may mean temporarily excluding competitors from the booking options available to travellers. As a result, procurement managers can successfully balance travel spending, making sure each contracted partner gets their fair share of the spend.

While booking tools are helpful in controlling contracts and spending, Floor Peper emphasises that managers and travellers themselves must still be vigilant to keep contractual spending on track.

'There are still a lot of times where travel managers have to make their own decisions about what needs to be done to control spending behaviour', says Peper. 'You can't control everything, but you can steer travellers in a certain direction.'

Steering travellers' behaviour will become easier and more intuitive as booking systems grow more intelligent and automated.

For the immediate future, software tools will play a supportive role. They are no replacement for the attentive procurement manager's human intelligence – not just yet.

Cutting Travel Costs: Will Big Data Bring Savings?

Airfare will continue to be the main area for potential travel savings going forward. As cost management systems become smarter and more data-driven, new opportunities will arise for improving procurement contracts and getting better deals.

'Basically, there are two ways to lower costs: You can negotiate better contracts, or you can change spending behaviours,' says Peper.

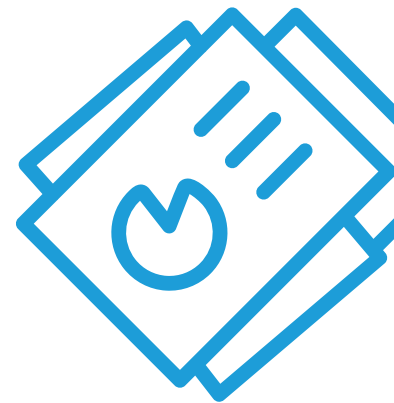
Data-driven analytics will give procurement managers more leverage to do both. Airlines will continue to vie for companies' loyalty and market shares, but access to increasingly reliable, real-time pricing data will give procurement managers a negotiating advantage. Meanwhile, better data gives unprecedented insight into travellers' spending behaviours. As a result, contracts will become more flexible and possibly more complex.

A [2015 survey by SCM World](#) found that over three quarters of procurement executives see big data analytics as 'disruptive and important' to the future of their profession. Big data analytics was also seen as the most disruptive new trend, topping a list that also included digital supply chain, internet of things and cloud computing.

Big data is not just about accumulating loads of generic, statistical price information and projecting price developments. It's all about creating highly specific, targeted calculations based on information from supplies and supply markets. According to SCM World, this will present procurement managers with new savings opportunities due to more sophisticated cost modelling.



Big Data Analytics: Beyond Cost Modelling



In addition to improving cost models, big data analytics promises even more advantages for procurement managers and their companies. A recent [study by procurement specialists EY](#) predicts that big data analytics will enable procurement managers in the future to play an active role in developing their company's business strategy rather than just executing it. That's because spend data will become more predictive as analytics improve, enabling procurement managers to foresee and mitigate risks, while also seizing better sourcing opportunities.

Currently, only 28% of companies are using big data analytics to inform their procurement activities, according to EY. This number is expected to rise rapidly as more procurement executives begin seeing the advantages big data can present, from identifying cost savings to predicting trends and future risks. Big data analytics will almost certainly become the best-practices standard for procurement management in the future. Research by cloud procurement specialists [SAP Ariba](#) found that spend data analysis was already the key differentiator for the majority (60%) of top-performing procurement departments worldwide. Best-in-class procurement executives are now already reliant on data and reporting from automated analytics systems.

These technologies provide greater spend visibility, not just for travel spending, but for all procurement categories. As a result, procurement managers can more easily identify sourcing opportunities and risks.

Systems Integration: The Dream is (Slowly) Coming True



Procurement executives have long dreamt of a one-stop platform for monitoring and controlling all spend activity – a real-time

dashboard where all stats and compliance data are easily accessible. Developers are slowly heeding the call with a new generation of flexible, fully-integrated tools. However, software still has a lot of room to improve in this area.

‘Better integration of our software systems would be a major improvement,’ says Peper. ‘You don’t want to have to go to fifteen different sources to find the spend data you need.’

This is particularly relevant for managing travel spend, which generally involves many sources and possibly a variety of expense management processes.

For example, procurement managers may track travel spending by reviewing their travellers’ company credit card statements. However, not all travellers have a company card, so a separate system must be maintained for recording their receipts from hotels, taxi drivers and other suppliers.

‘You don’t want to have to rely on your supplier to provide spend data, obviously. You need an integrated system that pulls together all the information you need’, explains Peper.

So, is integration in the pipeline?

Currently, the procurement software industry is on the rise, with its market value expected to exceed [\\$5.4 billion by 2020](#). Most recent development has focussed on making procurement apps more specialised, which has improved monitoring of individual spend sources, but slowed down the push for integration.

Today’s procurement tech is often highly niche-specific. However, as with other fast-growing industries, procurement tech will likely experience a boom in takeover and merger activity, not to mention stronger competition. These market forces combined with consumer demand will lead to new products that combine and improve upon functionalities from previous software generations. Outdated legacy software will slowly be phased out as the market makes room for more customisable, full-service options.

This means procurement executives can look forward to less clutter on their computer screens in the future. However, integration is not just a question of convenience. Integrated systems provide more consistent analytics and make spend management more accurate and efficient.

GDS: The Future is Uncertain

For years, global distribution systems (GDS) like Travelport, Amadeus and SABRE have been a mainstay of travel spending. Travel managers, particularly for large corporations, have relied on the computerised GDS for real-time inventory of hotel rooms and air fares to supply their travellers.

GDS was the industry standard for travel spending just a decade ago. However, disruptive technologies like mobile apps and online booking sites are shaking things up. Not only are travellers looking for easier, cheaper alternatives, airlines are no longer interested in paying heavy commissions to GDS partners to sell flights.

'Airlines are moving away or looking for alternatives to GDS because they want to save on commissions. So, if you still want to book flights using a GDS, you pay a surcharge. It turns into a major expense for companies that book thousands of flights a year', explains Peper.

'The future of GDS is very uncertain', she says. 'That's a challenge for procurement, because it's useful to have one source to use for airfares. We don't want to be in a situation of having to go to every airline individually to check availability and pricing information.'

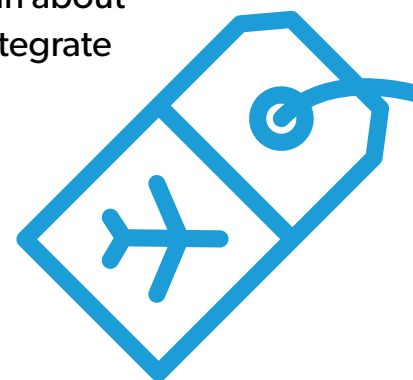
Although GDS booking has seen a slight increase recently, [some experts predict](#) that the system will become completely obsolete as early as 2020. For now, procurement executives are uncertain about the future of the GDS. It is possible that GDS will evolve to integrate new technologies and improved distribution models.

Fair Pricing: Leveraging Airfare Volatility

Fair pricing is an exciting new trend in saving money on travel costs.

Airfare prices are constantly in flux, based on many pricing factors, and their price structure is anything but transparent.

Peper explains: 'Travel prices vary from one country to another. Say you are in Amsterdam and you need to book a trip to Rome. The same flight



– Amsterdam to Rome – will have a different price depending on where you are when you search for the flight and book it’.

The technical term for such price fluctuation is ‘airfare volatility’.

Global companies could theoretically take advantage of airfare volatility by booking tickets from a location that offers the cheapest prices.

However, new technology start-ups like FairFly and Yapta offer software solutions that scout worldwide for lower airfares automatically.

Airfare volatility is not just the result of exchange rates and local spending power. Numerous factors play a role in airfare pricing, from time of day to flight cancellation statistics. Most pricing factors are not well communicated outside the air travel industry.

Products like FairFly may be at the forefront of a new trend towards greater transparency in business travel spending – or at least cheaper airfare. These innovations could give corporations and travel management companies access to cheaper prices by taking advantage of airfare volatility.

Getting Priorities Straight: Cost Isn’t Everything

Today’s companies are increasingly conscious of their values. These values are reflected in their priorities when it comes to spending.

‘Controlling travel spending is more than just choosing the cheapest option’, says Peper. ‘Procurement managers look at many different priorities these days.’

Many global companies are increasingly concerned with their environmental footprint. As a result, corporate travel policies are beginning to focus more heavily on CO₂ emissions from air travel.

‘That could mean steering travellers to book a direct flight instead of laying over’, says Peper. ‘The direct flight may be more expensive, but the emissions will be much lower.’

Another major travel spend priority is efficiency. While low prices are always advantageous, procurement managers are focussing on balancing business concerns with cost savings. That means factors



like travel times and itineraries are increasingly important. Travel spending is ultimately an investment in the company's success. Therefore, travel policies must weigh a variety of factors to help guide the company's travellers towards more strategic choices.

'I think any procurement manager will still be happy when a traveller chooses a cheap option', says Floor, 'but cost is just one of the priorities. There are other priorities that are important too.'

The Next Generation: Procurement in the Millennial Age



A veteran to procurement, Peper has witnessed the incredible pace of change within her profession in recent years.

'The technology is advancing so quickly now,' she says, 'and new employees are more and more familiar with technologies and the latest tools.'

Millennials use technologies instinctively and expect them to work effectively, with a wide range of features. Procurement software designers are aware of this, and expense management programs are rapidly improving.

Travel spending itself is already evolving to account for the preferences of millennial employees. These changes include greater autonomy. Employees now have more direct access to travel management systems and more freedom to make travel choices than ever before. This is largely due to improvements in automated technologies.

However, there is still a long way to go and much improvement to be made, says Peper. 'I think it's still too early to tell how technology will impact procurement and travel management. It has definitely made things faster and easier, if you think about things like reporting expenses and keeping an overview.'

Outlook: A New Role for Procurement

As new technologies continue to emerge, procurement's role within organizations will expand. Procurement executives will have a greater influence over business strategies because their tools will become more efficient and provide greater insights.

Travel spending will become more manageable and transparent thanks to increasing integration of previously diverse tracking and booking systems. Business travellers themselves are also increasingly tech savvy, so they will expect and demand integrated systems that work efficiently and offer a range of sophisticated functions.

Ageing systems like GDS will either evolve or be fully replaced by newer, more efficient technologies. Travel cost management is at a pivotal moment in many ways. However, business travel will certainly continue to be a major procurement category. Above all, companies must stay up-to-date to ensure their travel spend aligns with their changing workforce, strategies and priorities.



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