



**FCM**

# Doing more with less.

The importance of operational efficiency in a post-COVID world



## Driving operational efficiency. That's the goal for anyone in the procurement game in 2021 and beyond.

In this volatile post-COVID world, procurement officers have adjusted their approach to risk and complexity while keeping a firm focus on value. That is according to the Deloitte 2021 Global Chief Procurement Officer Survey.

**“Looking beyond the pandemic, the recent growth in complexity, risk and need for external innovation is increasingly opening the door for procurement to be seen as a true strategic partner,” the survey states.**

As a result, chief procurement officers (CPOs) have expanded their value propositions beyond just cost reduction and supply assurance to an orchestration of broader value. For the first time in 10 years, CPOs no longer cite cost reduction as their top priority. Instead, they have shifted their focus to operational efficiency. They recognise that with efficiency improvements and digitization comes the capacity and capability to up their game.

It's a refreshing new way of approaching business challenges, and one that is expected to yield much better results. Cost reduction has rarely helped companies become more resilient in the face adversity. Already back in 2009, McKinsey reported that although **79%** of all companies cut costs in response to the global economic crisis, only **53%** of executives thought that doing so has helped their companies weather it.

This is supported by data from PwC that suggests that less than **30%** of cost-cutting programmes achieve their goals, and less than a fifth of these are able to harvest consistent rewards over the following three years.

## How to achieve operational excellence?

Operational efficiency refers to the ability of an organisation to deliver quality services with fewer resources. The more output an organisation can produce from a given amount of input, the more efficient those operations likely are.

The secret to achieving operational excellence in a post-COVID world lies in agility. Arne Sorenson, Marriott's chief executive, said it best when he talked about the first six months of COVID-19.

**“We had to move with speed and in the face of uncertainty in a way that we never anticipated before.”**

This agility needs to be seen in all spheres of the business, including procurement.

### 01 Explore agile procurement

To be agile, you need to be able to think and draw conclusions quickly and move easily. According to Deloitte, agile CPOs outperform their peers when it comes to hitting savings targets, spend influence and stakeholder satisfaction, among others. Customer-centricity is key when taking an agile procurement approach. In a nutshell: the more CPOs are involved, the more value they deliver.

### 02 Prioritise data-driven decisions at all levels

In order to make informed, objective decisions and build resilience in your company, you need good, well-managed data. The right information needs to be delivered to the right person at the right time and in the right context. Only then, will you be able to make more informed decisions.

The right information will enable better collaboration between the different levels of the organisation and optimised management of the entire value chain.

### 03 Augment human intelligence with machine intelligence

Any company that wants to be future-ready will need to invest in business and technology collaboration. This collaboration was not only fast-tracked during the pandemic, but it also ensured the survival of many companies. It has created a delicate balancing act to achieve the optimal combination of human and machine talent.

Automation is one sure way to augment human intelligence with machine intelligence. Besides being highly work-intensive, many teams are bogged down by administrative duties that are repeated ad nauseum without producing any real value.

So, automate any repeatable task, from quote to invoice, starting from project planning and proposal development to knowledge sharing and financial reporting. Airlines have even automated analytics to support predictive maintenance.



## What role does business travel play in an ‘operationally efficient’ future?

In the process of making your business more operationally efficient, a knee-jerk reaction could be to cut out business travel altogether. After all, any time spent travelling could be seen as reducing operational efficiency. But does it really?

### The movement of know-how

Research from Harvard’s Growth Lab has found a direct link between a country’s incoming business travel and the growth of new and existing industries. The findings, published in the journal Nature Human Behaviour, support a Growth Lab hypothesis claiming that moving know-how, is critical to economic growth.

As opposed to information and knowledge that exists in books, computer files, graphs and algorithms, know-how only exists in brains and moves very slowly from brain to brain through years of experience. So, moving expertise involves moving brains.

The researchers explain that the importance of know-how might explain why firms rely so heavily on business travel. After all, why go to the expense of travelling – not only the direct cost of airline tickets and hotels, but the opportunity cost of time spent just moving people at sub-sonic speeds – if e-mail, Skype, FaceTime, and now Zoom can move terabytes of information at close to the speed of light?

The researchers analysed the effects of the withdrawal of business travellers from specific countries. For example, if German businesspeople stopped travelling, the research estimates that Austria, South Africa, Switzerland, Nigeria, Czechia, and Turkey would be most affected, and global GDP would decrease by 4.8%.

“According to our study, the world is benefiting enormously by mobilising the know-how in brains through business travel. Permanent shutdown of this channel would probably imply a double-digit loss in global GDP,” one of the researchers said.

### The unseen benefits of business travel

While virtual meetings are time- and cost-effective, the pure exchange of information has never been the only reason for business travel. According to communication specialists, our words only carry 7% of what we communicate. Tone conveys 38% of the message and gestures up to 55%. The human connection, combined with the element of networking is what makes business travel valuable.

Meeting a client in person also demonstrates that you value their time and business. Face-to-face conversations tend to be more positive, and perceived as more credible, in comparison with online. It will increase the emotional relationship with your clients and will help build loyalty. As humans, we naturally want to meet and interact with the people we are doing business with. Especially at the beginning of a client relationship, where the trust has not yet been established.

### Face-to-Face meetings are more productive

Collaboration happens more naturally when people can share ideas in person. Face-to-face meetings make it easier for participants to tell when someone stops talking, so they may feel more confident adding in their own ideas. Recent research shows that an in-person meeting will generate about 13.36 ideas, whereas a virtual meeting will only generate around 10.43.

Is it worth the plane ticket, the Great Business Schools recently asked. The stats they collated are an eye-opener:

95%:

Survey respondents who say face-to-face meetings are essential for long-term business relationships

\$12.50:

Value companies gain for every U.S. dollar they invest in business travel

40%:

Prospects converted to new customers through face-to-face meetings

28%:

Current business that would be lost without face-to-face meetings

17%:

Profit the average company would lose if it eliminated all business travel

3:

Years it would take for profits to recover

# Rethinking travel with 'efficient' operations

Now that we know that business travel definitely has a place in an operationally efficient business future, it's time to rethink how to approach travel in a post-COVID world.

New travel regulations, border closures and COVID requirements can be confusing to say the least. That's why it's important to work with a travel management company, like FCM, that tackles the current chaos head on, explores new ways of doing things, and brings you reliable and up-to-date information when you need it.

How can a TMC help you streamline your business travel and make it as efficient as possible?

## 03 Taking safety concerns out of the equation

Safety concerns will play havoc with any attempt to increase efficiency. The burden of keeping travellers safe and healthy is felt keenly by decision-makers and travel bookers and can affect productivity.

Companies today – more so than ever before – want to be able to track their travellers while they're on the road. They want to know exactly where their travellers are if they need to bring them back.

A professional travel agency can flag any potential risks, alert travellers (and the team back home) to any developments and actively liaise with local consulates and embassies should the need arise. They can help deliver duty of care through traveller tracking and emergency assistance, as well as by offering your people technology to use while on-the-move and at their destination.

With FCM's new Safety and Risk tools, you will be able to customise a safety dashboard to your needs, ensuring that all vital information is in one place. Our travel experts always go beyond the call of duty – and are on hand to provide information, advice and moral support 24/7/365.

## 01 A flexible mindset to cut through the chaos

From travel programmes to supplier negotiations and traveller sentiment, a flexible mindset is key to navigate the new post-COVID landscape. With no two days the same, travel programmes need to be flexible and easily adaptable to changing travel realities.

It's important to have a TMC that understands your needs, builds your travel programme around those needs, and has the ability to scale up and down as those needs change.

A TMC will know travel like the back of its hand, just as you know your business inside out. Using a company with travel in its DNA ensures you receive a personal service that cuts through all the complications and complexities that come from moving your team across the world.

## 02 A balance between automation and human expertise

Automation is key to any business focussed on operational efficiency. That's why it's important to include automation in your travel operations as well. The biggest hurdle to automated associated decision making? A hesitancy that machines will make the wrong decisions.

The issue of human and machine harmony in automation has special resonance in travel. By its very definition, hospitality thrives on human-to-human interaction. This is why FCM will never replace the human touch completely. Real people who are experts in their field can always be relied on to deliver what you need, even under the greatest pressure or tightest timescales. Knowing you have a team of people behind you, available day and night by email, phone or on the ground offer a reassuring presence amid the daily deadlines and longer-term planning. Working with a TMC is like having an extra team on your side.





## 04 New ways of engaging with suppliers

Hotel contracting will look very different in 2021 and beyond. Travel managers now have an entirely new set of criteria to evaluate their choice of hotels: from hygiene protocols to cleanliness, safety, improved meal offerings and contactless technologies. Many hotels and chain groups are now providing regular communication and demonstrated evidence of their new standards in a bid to grow traveller confidence.

What is certain, is that COVID has created a buyers' market for the first time in 10 years. Based on market research conducted by FCM Consulting, global hotel rates in key cities are set to reduce by an average of **4.5%** in 2021. Over **50%** of hotels are offering a combination of fixed negotiated rates combined with a dynamic discount rate off Best Available Rate (BAR) enabling travellers to select the most favourable rate option.

Airline engagements will also look decidedly different in 2021 and beyond, as the aviation landscape has changed considerably since the onset of the COVID-19 pandemic. Airlines need to constantly adjust their schedules in a bid to anticipate traveller demand and government changes to border closures. Unsurprisingly, the majority of travel buyers (**56%**) in the FCM State of the Market Survey indicated that they are reviewing their airline supply strategy. The changes they are considering include pricing reviews, risk management reviews and route & capacity changes.

## 05 Offering tangible savings

Although operational efficiency is about more than just savings, cost efficiency remains important.

The FCM State of the Market shows that while the average number of business trips per traveller was 6 – 8 per year in pre-COVID times, this number is forecasted to fall to 3 – 4 trips per annum until the year 2023. And **31%** of companies have indicated a decrease in travel budget for 2021.

Unfortunately, less travel may not equal a reduction in travel and expenses quite yet. Flexible fares, fewer flights and fewer routes mean a higher price tag – and now is not the time to scrimp on budget accommodation or untested suppliers.

Smarter ways to tackle and maximise the travel budget will be an important focus for the years ahead. Even though travel requirements will be next to impossible to predict for the coming year, it's still good practice to review where you have been spending money on travel in the past and make smart choices for the future.

A good TMC has all the right tools and technology to save you money and time and provide a real ROI across multiple bookings. By analysing a wealth of data points identified from your historical and future preferences and spend, it will deliver cost-effective deals, discounts, upgrades and perks that impact your bottom line. Manually searching for short-term savings is replaced by long-term ROI.



## 06 Information on the move

Based on a survey commissioned by trusted travel tech company, Amadeus, **84%** of the 6,000 travellers interviewed said that technology would boost their confidence to travel in the next 12 months. When asked to be more specific about what type of technology would provide a much-needed sense of relief, the majority responded by saying that mobile applications offering on-trip notifications are at the top of the list, closely followed by contactless mobile payment options.

For travellers today, 24/7 availability is not just a convenience, it is a necessity. Mobile apps like FCM Mobile are quickly becoming the best solutions for around-the-clock service. FCM Mobile is programmed to keep travellers updated at all times, from weather updates at the destination to information on the traveller's departure gate, flight time changes and where to collect baggage. The power of technology is changing the very nature of corporate travel, making it feel more like leisure travel with a smarter focus.





FCM is a single global brand providing a comprehensive range of corporate travel and expense management solutions. We have a presence in more than 95 countries and are regarded as one of the top five travel management companies in the world. FCM is responsible for the travel programs of some of the world's most successful corporate brands.

It has always been personalized service that sets FCM apart from the rest and we blend this with innovative technology and unrivalled access to content to drive the optimum performance of your travel program.

**Contact us today to find out how FCM can elevate the performance of your corporate travel program.**

