

Managing the dollars, cents, and sentiments.

How to navigate travel
supplier sourcing





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01

Introduction

We're all exhausted from hearing the phrase 'new normal'. Still, after the events of 2020-2022, it couldn't be more accurate—corporate travel professionals' approach to travel programs, management, and traveller wellness needed to evolve.

But there's one area where there is still some pushback despite all the changes implemented: supplier contracts. Compared to 2023, travel managers report that air and land suppliers have moved slightly toward tougher negotiating stances. These cost challenges come amid growing pressures for travel managers to prioritise traveller comfort, sustainable trips, and flexible bookings.

Before we explore the ins, outs, and what-abouts of supplier sourcing, let's set the scene.

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With market conditions changing in both distribution and supplier strategies, it is becoming more challenging to recognise if you are being presented with a good deal or not.

JO LLOYD, GLOBAL HEAD OF CUSTOMER
MANAGEMENT & CONSULTING, FCM

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Travel sourcing ≠ regular procurement

Usually, the procurement process is simple, or at least straightforward: you need to source new laptops for your organisation, you're given a budget, and you start your research. If all goes well, you could have everything buttoned up and contracted by the end of the month.

But business travel simply doesn't work that way. As you start researching suppliers, you need to remember that the numbers matter just as much as the psychology. When you're sourcing laptops, people may prefer a Mac over a PC, but at the end of the day, it won't affect their work that much. But as we all know, business travel is personal to travellers – it's an experience. They're booking the flight, getting on the plane, staying in the hotel. If corners are cut in the name of savings, it has a very direct impact on the traveller.

Procurement professionals also need to know that buying travel is a team sport, whether you're contracting directly with suppliers, a meetings & events provider (M&E), or a travel management company (TMC). You'll need to bring in subject matter experts from across your business, like HR, safety & risk, legal, sustainability

and human resource information technology (HRIT), to make sure you're covering all the bases. And don't forget about executive buy-in – without their green light, you can't get a signature on the dotted line.

Lastly, and this is key: You need to understand the value of business travel. Depending on the employee, it can be an incentive, a dealbreaker, or a necessary evil. As the travel buyer, it's your job to a) know what you want from your travel program (beyond savings!), b) know what your travellers want and need, and c) build a travel supplier and partner network that will help you meet those goals. Your travel program is only as effective as your compliance, so focusing only on savings will get you nowhere fast in this game - it's a balancing act on what you can procure and what your travellers will use!





The role of the TMC in supplier sourcing

To go with your TMC's supplier contracts or to not go with your TMC's supplier contracts – that is the question. The benefits vary for both. Here are some of the topline things you need to consider:

- First thing's first: If you're looking for a new TMC and new supplier contracts at the same time, you should contract the TMC first and assess its contracts with various suppliers. TMCs renew their contracts regularly, so if something that you'd like to see included is missing, let your Account Manager know.
- Since TMCs already have direct relationships with suppliers across the board (air, hotel, and ground), it can be advantageous to travel buyers who don't want to spend too much time negotiating contracts or don't have the buying power. And remember every contract you negotiate is one more you have to commit spend to and manage.
- If you want more personalisation in your supplier contracts than what your TMC offers, it may be time to work with specialist support, like a consulting firm that focuses on corporate travel.

Now that you know...

It's time to explore the different considerations for the three core travel supplier categories: air, hotel, and ground transport. Keep reading to find out more.

02

Air Contracting

Air contracts have changed a lot over the last few years, and they are arguably the most impactful part of your travel program, certainly in terms of savings, and second only to the booking experience.

When negotiating air contracts, here are the top things that come up:

- **More restrictive terms.** Many airlines have tightened their purse regarding the discounted rates, what routes are included, and the cost of ancillaries. And NDC throws a whole other wrench into the process. Before you start the negotiating, you'll need to come to the table with accurate data and an understanding of what your travellers are actually doing. For example, certain airlines are offering free Wi-Fi automatically to reward members. If any of your top airlines are doing the same, you can scratch Wi-Fi off your list of necessary ancillaries.
- **Loyalty status perks.** We can't forget that the biggest boon to travellers when taking business trips is earning miles and boosting their loyalty status. You may be able to negotiate boosted statuses for your travellers on peak routes and airlines. Travel arrangers will also be able to book trips that are advantageous to travellers and reduce complaints.
- **Evolving sustainability needs.** If you haven't made a firm decision regarding sustainability, you aren't alone. Currently, most travel buyers focus their airline sustainability decisions on monitoring, mitigating, and offsetting. Are you tracking your carbon impact, can you encourage travellers to take trains instead of flying, and are you buying carbon credits? If you have a sustainability policy at the organisational level or a leader like a Chief Sustainability Officer, they should be consulted to ensure you cover the bases. You can also check on the airline sustainability credentials through a number of paths to support choosing your airline partners.



71%

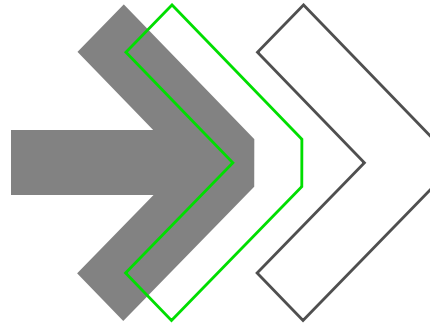
of buyers said prices impacted their company's ability/willingness to travel

45%

of travel managers say they are pushing for more perks in supplier contracts in the face of high price points

Source: BTN 2024 Airline Survey & Report

03 Hotel Contracting



29%

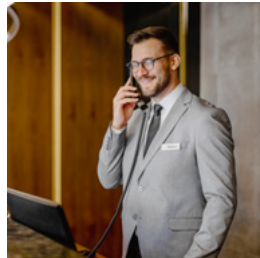
of buyers negotiate regionally/globally

22%

of buyers negotiate with individual properties

Source: BTN 2024 Hotel Survey

When it comes to hotel contracting, changes have been a bit slower. So, what do you look out for? Are the hotels part of a chain group, and if so, can they be franchised? Is it an independently owned hotel? There are more elements to consider when you negotiate and select a hotel that may be overlooked in the fine print, such as cancellation terms, social and governance practices, etc. All of this comes into play when sitting at the negotiation table.



Take control of leakage. In our research, hotel leakage can be significant. If this happens, you are negotiating with inaccurate numbers and can't get the best deal. There are ways to curtail out-of-channel hotel bookings, though, like changing your policy not to allow any reimbursements made outside your online booking tool or with an agent/arranger. Notwithstanding, leakage also goes beyond the numbers and impacts your traveller tracking and the safety of employees, which you need to manage.



Consider including Meetings & Events (M&E). An increasing number of travel programs are incorporating M&E into their supplier agreements. If M&E or group travel plays a major role in your organisation, it is a major part of your purchasing power for securing better airline and hotel rates for your business travellers. For quick wins, venue finder platforms can facilitate booking smaller meeting spaces. These tech tools offer options for finding the best rates, sourcing venues, and improving overall visibility.



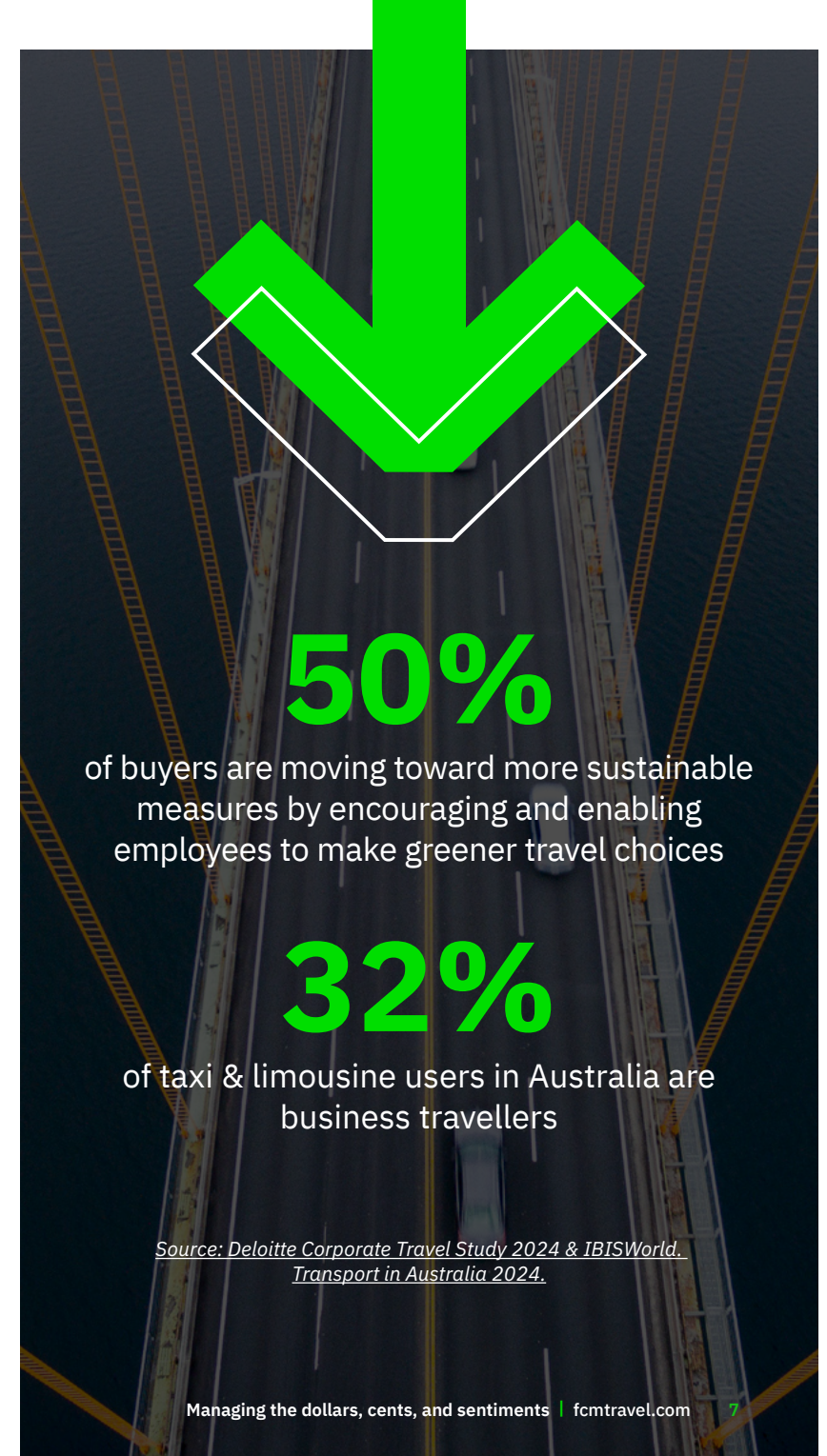
Sustainability & ancillaries. In hotel contracts, these often go together. Quick wins for sustainability in hotels include assessing their water treatment setup, questioning their single-use plastic and food waste policies, and reviewing their housekeeping services. Sometimes, travellers can earn perks if they make sustainable choices during their stay. Regarding other ancillaries, like Wi-Fi and breakfast, you'll want to consult your travellers and look at the data. As with airlines, Wi-Fi is often free to hotel rewards members. And if you see your travellers are expensing a lot of breakfasts, you may want to review the numbers to see if you'd save money by including breakfast in your hotel contracts.

04

Ground Transport Contracting

Your ground transport contracts will look different depending on where you are in the world. Your region's existing infrastructure will determine your mix of cars, rideshare, and trains and how readily available the various ground options are to your travellers.

- **Car rental vs lease.** Know your car specs and understand what types of cars and duration of use you need across your business. Are you better off hiring a car long-term rather than leasing? Are you carrying equipment that requires a specific size or model of car? Thinking back to contracted hotels, do they have electric vehicle (EV) charging stations and secure parking for your drivers?
- **Evaluate electric vehicle rentals.** EVs are better for the environment and can be a great way to contribute to your sustainability goals as a business. While some car hire companies currently stock limited EV options due to maintenance costs and charging station availability, the shift toward greener vehicles is gaining momentum. If sustainability is important to you, check traveller habits and contract multiple suppliers to guarantee greater access.
- **Nuances with taxis & rideshare.** Many cities have their own taxi networks, so you need to assess which cities you travel to the most and negotiate individually. Rideshare is also affected by location—for example, in New York City, rideshare providers like Uber and Lyft are subject to high surcharges in an effort to encourage yellow taxi bookings. It is worth exploring options or other platforms that allow a company to harness their employees' booking and payment process on the road. This can also greatly benefit the traveller when submitting expenses.





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Making your next moves

There are many moving parts with supplier contracting, and not just due to the different types. Everything requires a nuanced, advanced knowledge of how corporate travel operates, which can be overwhelming for someone who has never sourced and purchased corporate travel before. And if you're buying for a global program, those nuances get even more granular – because a global program is still delivered locally.

But despite all of this, you have the power to call the shots. You just need to know what you want, know your data, and have the right support. And, not to brag, but you can find all of that with FCM Consulting, our premier team of travel experts located around the globe in the USA, Europe, and Asia Pacific. So, if supplier contracting has your head spinning, reach out to them today and maximise your program's potential.

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Partnering with an industry sourcing specialist can help close the gaps. Tapping into expert knowledge ensures you are leveraging the maximum return on your corporate dollar, which has become more important than ever.

JO LLOYD, GLOBAL HEAD OF CUSTOMER
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