Middle Market Travel Programs:
VALUE, TRENDS, CHALLENGES

One of the fastest-growing business segments in the U.S. economy has been the middle market, companies with $10 million to $1 billion in revenue that have outperformed larger entities through the financial crisis of 2007-2010 and expanded both their workforce and geographies in which they do business.[1]

It should come as little surprise that travel volume of the Middle Market segment also is growing, along with the challenges of dealing with such expansion, according to a recent survey conducted by The BTN Group and American Express Global Business Travel. Nearly two-thirds of respondents to an online survey conducted in August-September said travel volume in 2016 increased from 2015 levels.

In 2017, 65% of those surveyed expect volume to rise even more. But an even bigger challenge than managing such growth for many charged with overseeing travel at such organizations is documenting program value and finding the time, management support and technology tools to most effectively manage this spend category, according to 103 survey respondents.

We asked travel managers at companies with annual revenues of $10 million or more and U.S.-booked air spend of up to $12 million for insights on the travel policies, components, practices, management support and challenges. Read on to learn what they said and ways they identified to strengthen their travel programs.

1 Middle Market Indicator, National Center for the Middle Market, Q2 2016

VALUE, TRENDS, CHALLENGES

FIGURE 1

FOCUS OF TRAVEL PROGRAM

- 6%
- 11%
- 15%
- 68%

- Managed with designated TMC, policies, preferred suppliers
- Strongly managed with mandated use of preferred TMCs, suppliers
- Lightly managed with policies, preferred suppliers, but no designated TMC
- Traveler-directed with request to use best judgment

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

MAJORITY HAVE MANAGED TRAVEL PROGRAMS

They might have less volume than the industry's behemoths, but travel program managers at middle market companies said they employ many of the same components of managed travel—policies, online booking tools, designated travel management company and preferred suppliers—as larger peers.

The majority of respondents described their programs as "managed with designated travel management companies, policies and preferred suppliers." About 15% of the middle market companies surveyed said their programs were even tighter and described them as "strongly managed with mandated use of preferred TMCs and suppliers."

On the other end of the spectrum, 6% of respondents described their programs as "traveler-directed with request to use best judgment" and 11% described their initiatives as "lightly managed with policies, preferred suppliers, but no designated TMC." Of the traveler-directed respondents, more than 80% reported U.S.-booked air volume of less than $2 million and most cited less than $1 million in air volume.

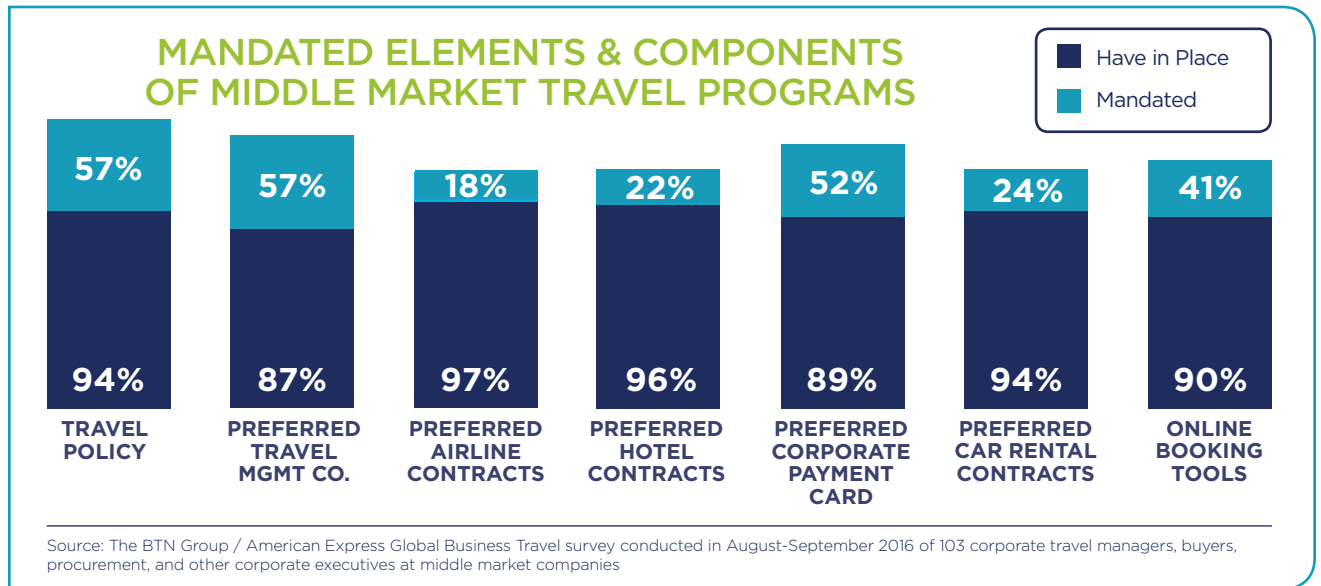## POLICIES, PREFERRED SUPPLIER CONTRACTS PREVALENT; MANDATES NOT SO MUCH

Middle market respondents indicated mature, complex travel programs as at least 9 out of 10 reported preferred air, hotel and car rental contracts; travel polices; and online booking tools. Slightly fewer (87%) reported having a preferred travel management company or preferred corporate payment card.

Mandates to use such preferred supplier

"**There are nearly 200,000 U.S. middle market businesses** that represent one-third of private sector Gross Domestic Product (GDP), employing approximately 47.9 million people," according to The National Center for The Middle Market. "These businesses outperformed through the financial crisis (2007-2010) by adding 2.2 million jobs across major industry sectors and U.S. geographies, demonstrating their importance to the overall health of the U.S. economy."

FIGURE 2

MANDATED ELEMENTS & COMPONENTS OF MIDDLE MARKET TRAVEL PROGRAMS

■ Have in Place
■ Mandated

TRAVEL POLICY	PREFERRED TRAVEL MGMT CO.	PREFERRED AIRLINE CONTRACTS	PREFERRED HOTEL CONTRACTS	PREFERRED CORPORATE PAYMENT CARD	PREFERRED CAR RENTAL CONTRACTS	ONLINE BOOKING TOOLS
57%	57%	18%	22%	52%	24%	41%
94%	87%	97%	96%	89%	94%	90%

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

contracts were less prevalent, as just over half of all middle market respondents cited mandates to follow travel policy or use preferred TMCs or corporate payment cards. Fewer than 20% cited mandates to use preferred airline contracts and 22% cited mandates to use preferred hotel contracts.
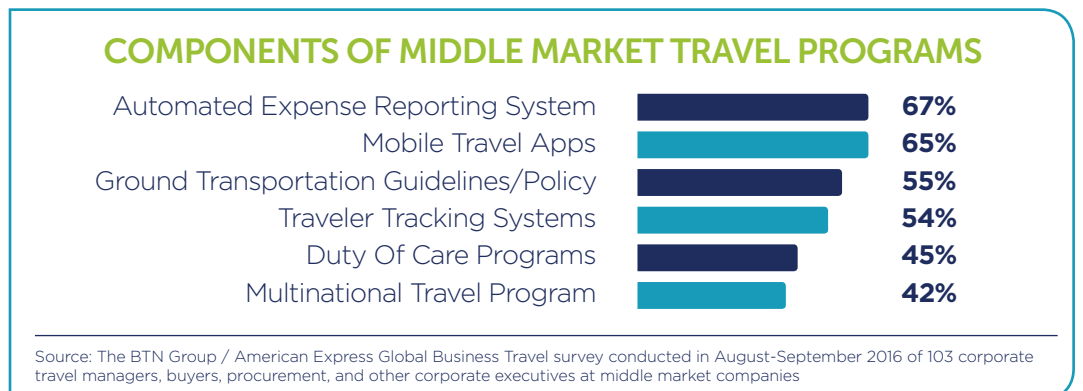
Policy mandates often are used as a lever to control spending. However, some corporate cultures eschew mandates of any kind. Increasingly, competitive pressures to attract and retain talent have prompted companies to review corporate policies that some might view as too restrictive. The fast-growing middle market is especially challenged to find ways to continue to keep cost controls in check or, in some instances, implement them anew amidst other issues. Several middle market survey respondents noted resistance to their attempts to implement mandated policies.

MOBILE, EXPENSE, GROUND AMONG PROGRAM COMPONENTS
Despite their size, middle market companies indicated widespread use of

FIGURE 3

COMPONENTS OF MIDDLE MARKET TRAVEL PROGRAMS

Automated Expense Reporting System	67%
Mobile Travel Apps	65%
Ground Transportation Guidelines/Policy	55%
Traveler Tracking Systems	54%
Duty Of Care Programs	45%
Multinational Travel Program	42%

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

some of the newer components of managed travel programs. Two-thirds said their organizations used automated expense reporting systems and 65% said they had mobile travel apps. Just over half of middle market survey respondents said they had policies or guidelines on use of ground transportation providers as well as traveler tracking systems.

Core travel components included duty of care programs as cited by 45% of respondents, and multinational travel programs as cited by 43% of respondents.

Of middle market respondents that used a TMC for more than five years, 54% cited duty of care programs and 46% cited multinational travel programs were core to their travel program.

MAJORITY RELY ON A TMC, HAVE FOR YEARS

More than 90% of middle market respondents said their organizations relied on a TMC to support their travel program. More than 60% said they had used a TMC for more than five years while 17% cited the longevity of such relationships as from two to five years and the rest cited shorter timeframes. Only a handful of middle market respondents cited TMC usage of one year or less.

While 73% of respondents cited just one TMC, 13% said their organizations used two TMCs, 5% said three, and 9% said their organizations used four or more TMCs. Respondents weren't asked why they used multiple TMCs. However, more than 40% of respondents cited multinational travel programs and new TMC relationships in China, Japan, the Middle East and elsewhere. While some companies use one TMC around the globe, others take a regional approach and often use multiple TMCs globally.

Just 9% of middle market firms surveyed said their organizations didn't use a TMC. All such respondents cited less than $2 million in annual air spend and 88% cited less than $1 million.
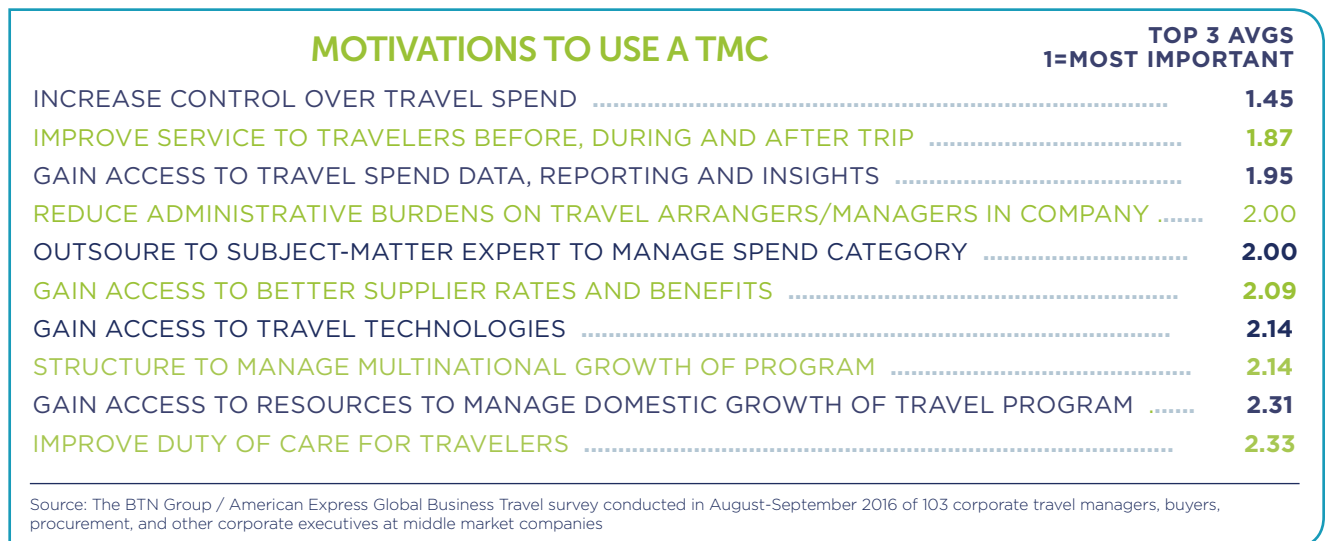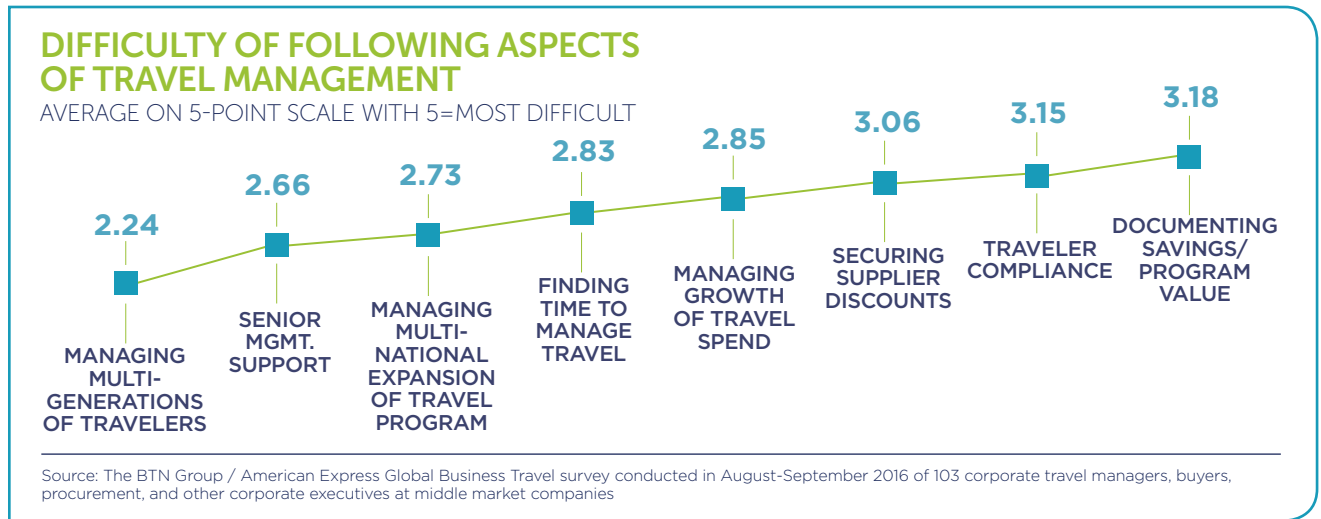
FIGURE 4

MOTIVATIONS TO USE A TMC	TOP 3 AVGS 1=MOST IMPORTANT
INCREASE CONTROL OVER TRAVEL SPEND	1.45
IMPROVE SERVICE TO TRAVELERS BEFORE, DURING AND AFTER TRIP	1.87
GAIN ACCESS TO TRAVEL SPEND DATA, REPORTING AND INSIGHTS	1.95
REDUCE ADMINISTRATIVE BURDENS ON TRAVEL ARRANGERS/MANAGERS IN COMPANY	2.00
OUTSOURE TO SUBJECT-MATTER EXPERT TO MANAGE SPEND CATEGORY	2.00
GAIN ACCESS TO BETTER SUPPLIER RATES AND BENEFITS	2.09
GAIN ACCESS TO TRAVEL TECHNOLOGIES	2.14
STRUCTURE TO MANAGE MULTINATIONAL GROWTH OF PROGRAM	2.14
GAIN ACCESS TO RESOURCES TO MANAGE DOMESTIC GROWTH OF TRAVEL PROGRAM	2.31
IMPROVE DUTY OF CARE FOR TRAVELERS	2.33

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

FIGURE 5

DIFFICULTY OF FOLLOWING ASPECTS OF TRAVEL MANAGEMENT
AVERAGE ON 5-POINT SCALE WITH 5=MOST DIFFICULT

Aspect	Score
MANAGING MULTI-GENERATIONS OF TRAVELERS	2.24
SENIOR MGMT. SUPPORT	2.66
MANAGING MULTI-NATIONAL EXPANSION OF TRAVEL PROGRAM	2.73
FINDING TIME TO MANAGE TRAVEL	2.83
MANAGING GROWTH OF TRAVEL SPEND	2.85
SECURING SUPPLIER DISCOUNTS	3.06
TRAVELER COMPLIANCE	3.15
DOCUMENTING SAVINGS/ PROGRAM VALUE	3.18

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

SPEND CONTROLS AND SERVICE: TOP REASONS FOR TMC USE

Why do middle market companies use travel management companies? To increase control over travel spend and improve service to travelers before, during and after a trip, more than half of respondents agreed. Slightly fewer said a top motivator was to gain access to travel spend data, reporting and insights.

TRAVEL NOT SOLE JOB FOCUS

For many middle market managers, travel is just one of several responsibilities or spend categories they manage. Just one-quarter of middle market respondents said they spend 90% or more of their time on travel management. While 40% of middle market respondents said they spend at least three-quarters of their workday on travel management, another 40% pegged the category at less than half of their typical workday.

Despite the lack of time to devote to travel management, respondents ranked "finding time to manage" travel as neither the most, nor least difficult task they face.

The most difficult aspect of travel management cited by middle market respondents is documenting savings and program value, followed by traveler compliance. Least difficult, respondents said, is managing multiple generations of travelers, followed by senior management support.

TRAVEL SPEND RISING, SAYS TWO-THIRDS

Nearly two-thirds of respondents said travel spending at their companies increased in 2016 from 2015 levels and a like percentage expects increases in 2017.

Of those who reported higher travel spending in 2016, 45% tagged the hike at less than 10%. But 20% of respondents

FIGURE 6

SUCCESS OF YOUR TRAVEL PROGRAM
3.61 STARS
★★★☆

said travel spending at their organizations increased by 11% or more this year.

For 22% of respondents, travel spending decreased in 2016 from 2015 levels by 15% or less. Travel spending volumes remained constant for 13% of respondents.

Gazing into their crystal balls for 2017 travel spending, 20% of respondents said they expected levels to remain the same as 2016. Of the 65% who expect increases, more than three-quarters said they expect a rise of 10% or less.

About 15% of middle market respondents said they expect travel spending to decline at their organizations next year and most pegged the drop at 10% or less.

SUCCESS FACTORS

Asked to rate the success of their travel management program, respondents gave themselves 3.61 stars out of 5. Just over half gave themselves 4 stars but less than 10% gave their programs 5 stars.

PROGRAM DELIVERS SAVINGS

Asked what they consider the greatest value the travel program delivers to the company or travelers, 38% of respondents

said savings to the company. One-quarter of respondents cited enhanced services to travelers and 20% cited reporting necessary for management, owners and other stakeholders.

Some respondents cited all of the above rather than just one primary benefit. Others noted that the value is really "the balance of value and savings back to the employees and the company."

MANAGEMENT, TRAVELER SUPPORT COULD ENHANCE SUCCESS

What would make their travel programs more successful? Management support of the travel program and policies, according to 46% of respondents. The response is somewhat surprising, given that the majority of respondents ranked senior management support as one of the least difficult aspects of travel management. However, in comments, several respondents expressed a desire for senior leadership not only to buy into the travel program, but "lead by example." Another noted that employees, including some now in leadership positions, had become

FIGURE 7

WHAT COULD MAKE YOUR TRAVEL PROGRAM MORE SUCCESSFUL?

29%	38%	41%	44%	46%

- Dedicated Travel Manager – 100% on Travel Management
- Supplier Support of New Programs that Provide Savings, Enhanced Benefits or Services
- Mandates On Travelers To Use Program
- Travel Technology Designed for Middle Market
- Management Support of the Travel Program/ Policies

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

accustomed to traveler-directed practices. "The introduction to managed travel has been like herding cats."

Travel technology designed for their size programs ranked second as a means to a more successful program. Several respondents complained about the manual processes they relied upon for policy compliance, data and reporting. One complained that his/her biggest challenge is "the fact that travel technology has not, and still does not, keep pace with consumer technology."

Mandates to use the travel program also could boost success, according to 41% of respondents.

Despite comments about lack of time to manage and devise reports that demonstrate the value of their managed travel programs and juggle responsibilities,

just 30% of middle market respondents cited a dedicated travel manager as something that could make their program more successful.

Anecdotally, respondents listed a broad range of other ways to enhance their travel programs, or at least ease some of the challenges, led by "finding the time and justifying the numbers."

One respondent noted the time spent documenting savings and the manual intervention required to reconcile when a ticket is rebooked at a lower fare. Others noted the lack of automation or a single system to perform the most basic tasks.

But the lack of data to provide to senior management, leverage with suppliers and detect trends also has proven challenging, according to several respondents. "Data has to be pulled from multiple sources. If

FIGURE 8

CHANGING PRIORITIES: IMPORTANCE OF COMPONENTS TO PROGRAM

COMPARED TO A YEAR AGO, HOW IMPORTANT ARE THE FOLLOWING TRAVEL COMPONENTS TO YOUR PROGRAM?

Travel spend data reporting	2.46
Reducing travel spend	2.44
Traveler location tracking	2.40
Supplier programs that deliver value travelers can't secure on own	2.40
Crisis management program	2.38
Preferred hotel program status for enhanced benefits	2.33
Personalized services for travelers	2.31
Preferred airline loyalty program status for enhanced benefits	2.30
Mobile travel management tools	2.22
Disruption management services for travelers	2.17
Managing leakage or bookings made outside designated channels	2.16

Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

we had some sort of aggregator in place, it would make analytics much easier," said one respondent.

Another noted the challenges of trying to convince suppliers to work with smaller companies.

"There are so many priority areas under 'managed travel' that it's a challenge to manage them all well," said one respondent. And, another said, "We have been in hyper-growth mode," managing multinational programs and meetings.

WITH GROWTH COMES CHANGING PRIORITIES

Of course, one of the biggest challenges facing middle market travel programs is dealing with rapid growth. Priorities are often changing, depending on the number of new hires, expanded geographic territories or need to get more travelers on the road now.

Respondents were asked to rank the level of importance as compared to a year ago of 11 emerging travel management priorities increasingly cited by those managing larger travel management programs. They ranked as their top priority "travel spend data reporting," followed by "reducing travel spend." Half of all respondents said "travel spend data reporting" has become more important in the past year.

NEXT STEPS

To manage double-digit travel spending and domestic or multinational expansion, companies will need to assess whether the current program, policies, and preferred suppliers still meet their growing travel demands. Middle market survey respondents paint a picture of mature travel programs with policies, preferred suppliers, dedicated travel management companies and a bevy of technology tools at the ready.

FIGURE 9

ABOUT PARTICIPANTS/METHODOLOGY

The BTN Group invited subscribers employed by companies with revenue of $10 million or more and U.S.-booked air volume of $12 million or less to participate in an online survey from August 18-September 18, 2016, about trends, challenges, as well as specific aspects of managing middle market travel programs for a custom research project for American Express Global Business Travel.

ORGANIZATIONAL SIZE
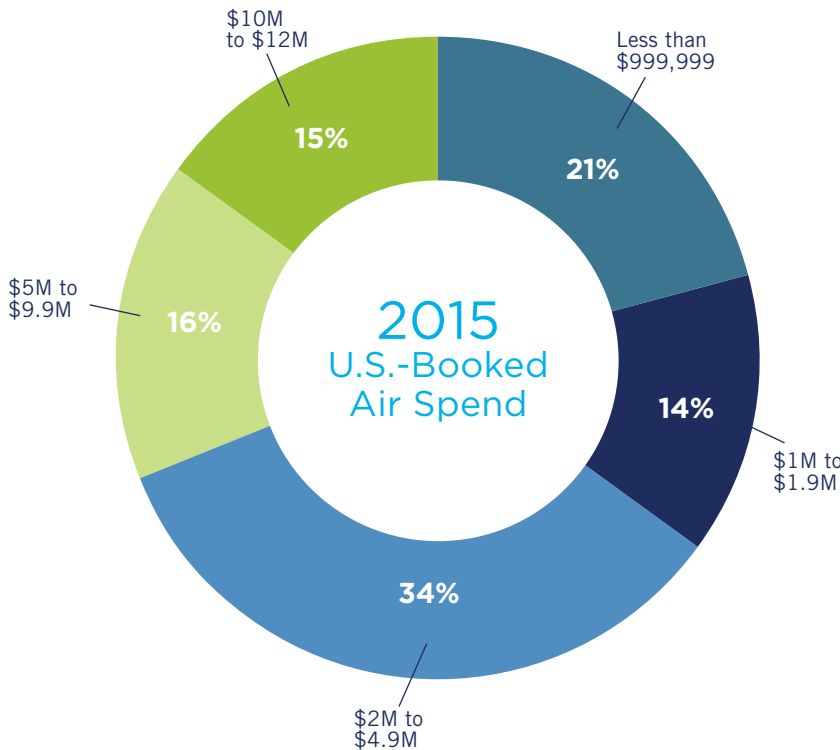
Source: The BTN Group / American Express Global Business Travel survey conducted in August-September 2016 of 103 corporate travel managers, buyers, procurement, and other corporate executives at middle market companies

Yet, middle market respondents clearly indicated that they need more support from:

- Suppliers in the form of special programs or discounts
- Travel management company partners in the form of discounts, support and reporting that proves the value of their managed travel program
- Technology firms or TMCs that provide data reporting and automation to replace manual processes in place today
- Their own management to lead by example and support mandates or policies designed to control spending within their culture
- Travelers in the form of policy compliance

For travel managers already juggling multiple responsibilities, a full assessment of their managed travel needs and ability of their current programs to meet those needs might be taxing to execute. However, it might be just what their program, travelers and management needs to keep up with rapid growth, global expansion and the need to document the value of their initiatives.

ABOUT THE SPONSOR

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