



SAVINGS FOR CRAVINGS

Savings opportunities in business meals category

At American Express Global Business Travel (GBT), we recognise there is a tremendous opportunity to drive savings on meal spend. Based on recent interactions with some of American Express GBT's clients, we see a need to help identify corporate-wide solutions that can deliver greater visibility on meal spend and that can provide potential savings. Whether it's implementing meal programmes with select catering services, formally introducing set meal expense limits, or adopting dining-related mobile technologies and virtual wallets, we hope to call attention to some strategies that can trim costs in this expense category.

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› Introduction

Corporate travellers incur several types of expenses while on the road. Most organisations manage and procure deals for the largest expense categories like airline, hotel, and ground transportation. Meal spend, however, often remains unmanaged. It may get a mention in a corporate travel and expense (T&E) policy but, due to a lack of spend visibility, there is no enforcement of meal spend limits. Often, even if the meal spend is visible and traceable, procurement managers and leaders do not know how to manage it. There is usually a lack of awareness on how savings can be driven from meal spend management while also making the process more convenient for business travellers and employees to search, select, and review the most suitable meal options for business travel and meetings. This white paper, developed by Global Business Consulting, the advisory arm of American Express GBT, outlines key steps that should be considered in order to optimise this important spend category.



› Steps to optimise meal spend

Global Business Consulting helps clients optimise their meal spend through five steps. Like most spend categories, it is important to consolidate, benchmark, and analyse the meal spend data, identify savings opportunities, and drive solutions to optimise this spend category.



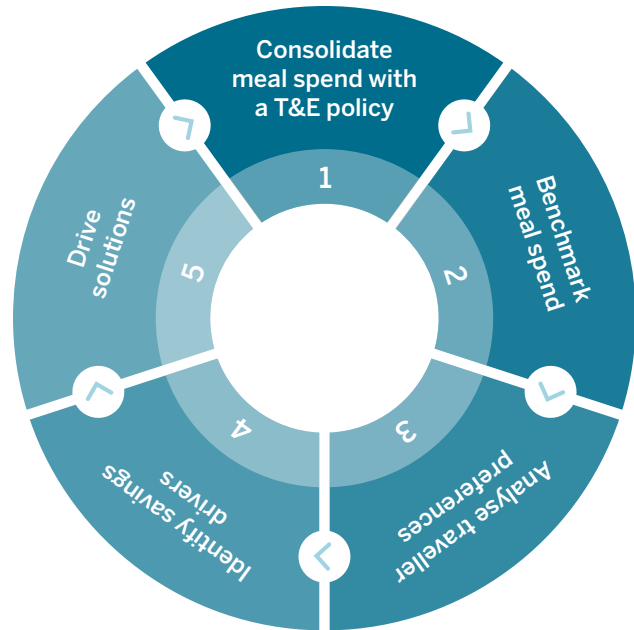
Step 1: Consolidate meal spend with a T&E policy

Setting meal limits within a T&E policy is a common way of controlling meal costs incurred by employees while on a business trip or when attending business meetings. These limits are typically set through standardised policies or per diem policies. Most firms researched by Global Business Consulting set meal limits according to an employee's home country (or origin country for business travellers).

Standardised meal policy

Organisations with a more standardised global policy usually vary meal limits only by destination or by employee rank or position level. At the same time, cultural differences, food preferences, and dining styles may vary significantly depending on an employee's origin, home country, age, and other demographics. A successful meal policy is based on the principle of "glocalisation," standardising meal limits for each destination or venue yet allowing for local exceptions to adapt to a traveller's culture.¹ A good technique to achieve flexibility is to allow travellers to spend beyond their meal limits while staying within a prescribed daily limit or quota. It is also important for organisations to consider this practice when internal colleagues or external business partners attend meetings.

Standardisation of a meal policy for a global, multinational firm is an arduous task that requires careful planning and significant efforts. In organisations with high volumes of international travel, it may have a financial impact on different cost centers. For example, the standardised policy can positively impact the costs of some countries while marginally increasing the costs of other countries.



Without standardisation, employees from different countries may have different meal limits, even when travelling to the same country. If the company's lunch meal limit for travellers originating in the US is US\$30, but the lunch limit set for travellers in France is equivalent to US\$55, there will be a US\$25 difference in what the employees from the US and France can spend on lunch when travelling to Singapore, for example. With a standardised policy, however, travellers will have the same meal limit of, say, \$US38 in Singapore, irrespective of the employee's home country. In this case, employees from the US will have \$US8 more to spend on lunch in Singapore, whereas travellers from France will have US\$17 less.

Thus, it is necessary to understand the financial impact of policy changes and the overall advantages to business. In the standardised scenario above, the company will have an overall gain if there is more business travel from France to Singapore but may face an overall loss if US travellers outnumber the travellers from France.

Per diem policy

Many organisations also maintain a per diem policy, providing a daily allowance to travelling employees that covers their lodging, meals, and taxi expenses. Per diem allowances are usually set by the destination. In some organisations, the per diem allowance for a city sets a maximum payout for reimbursement. Others may allow disbursement of the per diem amount without requiring submittal of receipts. Research by Dinova reveals that 34% of surveyed business travellers are required to follow a published and enforced dining per diem policy.² The study also suggests that setting a successful per diem programme is complex and challenging. Costs vary significantly in each region/country, requiring companies to create and maintain a complex variable per diem programme based upon key destinations.

The travellers in Dinova's study who reported an enforced per diem policy say the per diem ranges from US\$41–US\$51 per day on average to cover meals, which falls just under the US General Services Administration (GSA) per diem amount of US\$51.² Many public or government organisations publish per diem limits annually in the public domain. The GSA publishes per diem allowances for federal employees on domestic travel, while the US Department of State sets the same for international travel.

Typical per diems for global destinations range from US\$175 to US\$500+ per day, with Tokyo, London, Zurich, New York, San Francisco, Boston, and Muscat, Oman, amongst the most expensive destinations, driven by expensive hotel rates and food prices.³

Per diem policies have advantages and disadvantages:



Advantages

- › Ease of recording, no review of meal receipt required
- › Employee's flexibility to allocate their daily expenses (e.g., if a traveller consumes a heavy breakfast and a lighter dinner)
- › Predictability of the cost of trip



Disadvantages

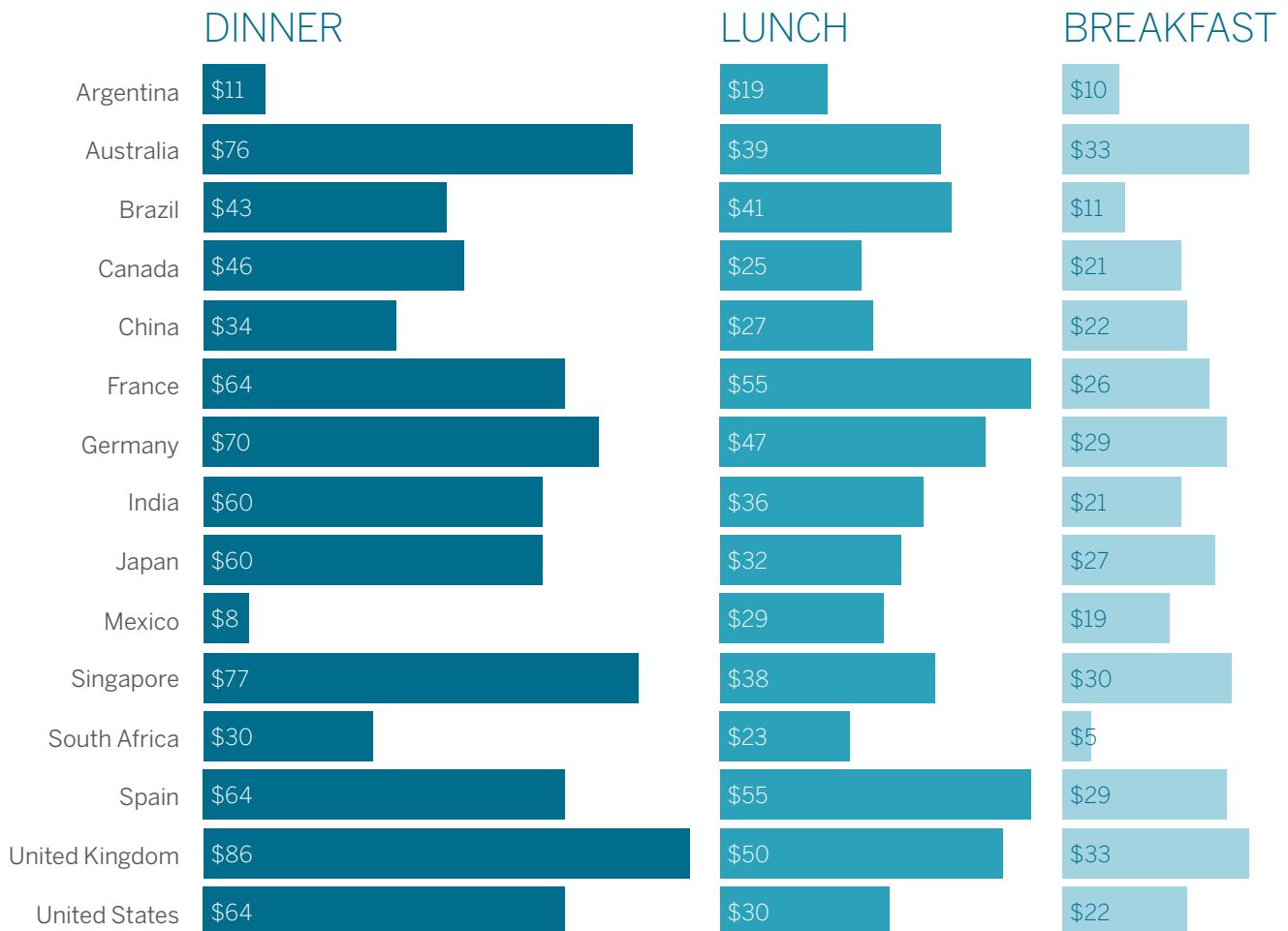
- › Difficult to develop and requires annual reviews to account for economic inflation
- › Income tax implications when employees save on their per diem allowances disbursed
- › Does not account for higher meal expense required due to dietary restrictions

Step 2: Benchmark meal spend

Once a meal policy is put in place, it is important to compare and monitor meal spend against other companies' meal spend to evaluate whether you are setting competitive guidelines and to identify additional savings opportunities. The Global Business Consulting team at American Express GBT conducted an internal study of multiple clients' policies to develop some benchmark average meal limits. These are shown by home country in the exhibit below.

For most countries, dinner is the most expensive option, followed by lunch and then breakfast. UK-based cost centers set the highest average meal limit for dinner (US\$86), while France and Spain have the highest meal limit for lunch (US\$55). During breakfast, travellers originating from Australia and UK enjoy the highest limit (US\$33) among the key countries. Breakfast sometimes may be included in hotel rates, so it is recommended that companies review their hotel programmes to modify their meal policies accordingly.

Average meal limits at a glance by origin country (currency in USD)



Step 3: Analyse traveller preferences

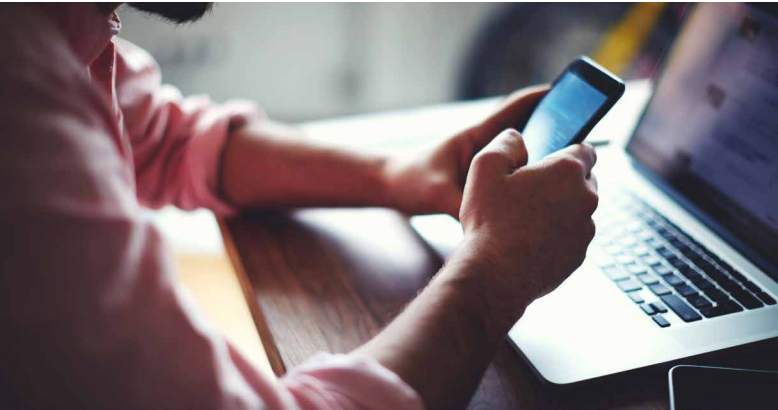
Meals are a very basic physiological need of humans and impact their health and well-being and, to a large extent, their productivity. As organisations have a natural duty of care for their employees when they are on the road or attending a meeting or an event, it is important to consider a variety of meal/restaurant preferences that travellers may have, influenced by the following key factors and backed up by the traveller research conducted by Dinova.²

- › **Personal preferences:** Employees can have varied dietary preferences, ranging from strictly vegan or vegetarian to halal or kosher, etc. Personal preference may be the most important consideration.
- › **Choices of cuisine:** Employees may have a natural inclination to choose one type of cuisine over another. While many seek out dining experiences unique to the travel destination, there is some overlap with those who want to stick with what they know. Over three-quarters (77%) of business travellers agree that they prefer to eat like a local when travelling for business. However, 59% agree that they like to stick to trusted brands while on the road, indicating that travellers might like a mix of unique and reliable dining experiences.



- › **Cultural and social aspects:** In many cultures, mealtime is often a time to bond with the family, or with colleagues, clients, and team members. Travellers from many cultures, treat their dinner as a social event where colleagues join the group meals.
- › **State of health:** An employee's health also may impose dietary restrictions that compel them to choose a specific food menu. Over three-quarters (77%) of business travellers say eating healthy is "somewhat" or "very" important while travelling for business, and 25% report having special dietary needs.
- › **Location of restaurant:** For business travellers and meeting attendees, the convenience of reaching a restaurant location and its proximity to the hotel or meeting venue are often the key influencers in choosing a restaurant.





Step 4: Identify savings drivers

Mobile applications drive meal spend optimisation

According to Dinova's research, dining apps were used by 63% of business travellers in the past year, suggesting mobile technology is an essential driver of savings opportunities. While on business, 54% of travellers used their mobile device to search for local places to eat; 51% used their phone to look up menus for restaurants they were considering; 47% made a reservation on their mobile device; 35% ordered delivery from their phone; and 33% searched social media for information on a restaurant.²

As mobile dining apps become increasingly popular with business travellers, companies should consider solutions that align with this trend. Technology that supports a company's preferred dining programme with multiple options delivered through mobile applications and that allows virtual payments typically provides the best savings and improves traveller adoption.

A corporate client willing to adopt these mobile technologies should look for a service provider that can provide multiple choices to meet their employees' variable meal preferences.

Step 5: Drive solutions

To ensure the success of mobile applications, and to maximise discounts and rebates available to your organisation, it is important to choose a technology solution that can drive employee adoption. A technology enabler should offer at least one of the following functions:

- › **Preferred dining programmes** that allow travellers to search, select, and book a restaurant within the programme and view peer reviews. An ideal solution will be customised per a company's T&E guidelines while also reflecting individual traveller preferences. The programme also may drive savings by offering corporate discounts or rebates.
- › **Virtual payment solutions** that allow travellers to book a preferred dining option without the hassles of carrying local currency, paying surcharges for forex conversion or, in some cases, worrying about appropriate tips. Payment channels also may offer extra discounts to employees or the company in addition to the savings from the preferred dining programme.
- › **Employee adoption programmes** to motivate employees to use the company's preferred dining solution, such as loyalty benefits.

Regarding technology providers, there is no one-size-fits-all solution and companies may need to consider regional solutions to comply with local regulations and to provide employees with relevant choices. There are solutions in the US that provide increasing rebates as employees adopt the preferred dining programme. Other solutions in China and Japan provide centralised purchasing and dining management capabilities. Further, payments can be made via virtual payment wallets in those countries.



› Global Business Consulting value

Client example

A large, global health and wellness firm wanted to determine how its non-healthcare professional business meal spend could be optimised and whether opportunities existed in this category to drive savings through policy revision, governance, or strategic sourcing. A detailed study was conducted by Global Business Consulting to understand the company's:

- › meal spend distribution
- › drivers for meal expenses beyond the limits set by the company policy
- › benchmarking of policy against their peer group

The findings revealed:

- › Meal limits were within the industry average, but there was a need to put measures in place that could better enforce company policy compliance.
- › System governance, which is the management of the technology configuration in online booking tools and expense management tools that enable effective meal policy administration, was particularly loose in comparison to peer organisations within the healthcare segment.



- › A sizeable portion of the company's employees already had adopted virtual mobile wallets to pay for their meals and other travel expenses, which presented an opportunity to utilise technology to manage and optimise meal spend.

Based on this, Global Business Consulting provided the following recommendations:

- › Encouraging adherence to meal policy limits through a combination of effective system governance and internal communication campaigns
- › Adjust the domestic meal threshold for a specific home country
- › Establish a strategic partnership with an online payment platform provider and mobile app, particularly one with corporate dining solutions that help bring corporate rebates from restaurants while driving loyalty with travellers through a rewards system
- › Authorise meeting planners to use existing dining solutions

The analysis from the study also identified the savings opportunities for the firm. By implementing some or all the recommendations, it is estimated that a total of US\$1.32M to US\$2.64M could be saved, resulting in a more optimised global meal expense programme.



ABOUT THE GLOBAL BUSINESS CONSULTING TEAM AT AMERICAN EXPRESS GBT

Global Business Consulting is the advisory arm of American Express GBT. We offer specialised consulting services to help our clients manage their travel and expense spending and maximise the return on their investments in employee travel. To receive any support on business meal spend optimisation, please contact your client manager.

To learn more about Global Business Consulting, please visit amexglobalbusinessstravel.com/corporate-travel-services/global-business-consulting/

ABOUT AMERICAN EXPRESS GLOBAL BUSINESS TRAVEL

American Express GBT is the world's leading business partner for managed travel. We help companies and their employees prosper by making sure travellers are present where and when it matters. We keep global business moving with the powerful backing of 17,000 travel professionals in more than 140 countries. Companies of all sizes, and in all places, rely on American Express GBT to provide travel management services, organise meetings and events, and deliver business travel consulting.

Learn more at amexglobalbusinessstravel.com

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References:

- 1 The term "glocalisation" first appeared in a late 1980s publication of the Harvard Business Review. At a 1997 conference on "Globalisation and Indigenous Culture," sociologist Roland Robertson stated that glocalisation "means the simultaneity—the co-presence—of both universalising and particularising tendencies."
- 2 Dinova's "Dining on the Company's Dime" online survey of 509 business travellers in US between March 16–March 22, 2018.
- 3 BTN published per diem and meal limits for 2018 (BTN 2018 Corporate Index).
- 4 Based on an internal study of American Express Global Business Consulting clients' policies.