

“Demystifying Travel Consulting Services”

White Paper

This publication categorizes the various entities promoting Travel Consulting and Professional/Sourcing Services into four categories and is intended to provide corporate travel buyers with an overview of competing services and information on when and where to contract the various services. This publication was written by Donald L. Swartz, Principal at Corporate Travel Buyer Resources, an Independent Travel Consulting firm established in 1998.

Introduction

The Travel Consulting sector has become very crowded as new entities spring up daily offering competing and conflicting services. Many of the new entities offer a Professional or Sourcing Services, as compared to true Consulting Services, but nonetheless promote themselves or are categorized by the industry as Travel Consultants. This creates confusion for perspective corporate travel buyers as they try to compare when and where to contract the various services. One thing is clear, Professional/Sourcing Services and Travel Consulting Services will both continue to expand over the next several years. Recent industry reports already indicate that as many as 40% of corporate travel buyers have purchased some form of Travel Consulting or Professional/Sourcing Service. Chances are if your company has not purchased Travel Consulting or Professional/Sourcing Services, you have probably been approached to purchase similar services from one of the following entities.

I. TMC – Affiliated Consulting Services (ACS)

ACSs are separate business divisions or subsidiaries of a TMC and offer Professional/Sourcing Services to corporate travel programs. Some ACSs operate under a common name of the affiliate TMC such as, American Express “*Advisory Services*” and Carlson Wagonlit Travel “*Solutions Group*”. Others operate under a separate name such as “*Advito*”, which is affiliated with BCD Travel. The number of ACS entities, scope of services and marketing efforts are quickly expanding as traditional TMC’s look to;

- Increase profits by outsourcing historically unprofitable account management services to a separate subsidiary that can charge higher fees and generate additional revenue for the TMC owner.
- Profitably expand the scope and quality of account management services to keep pace with market changes and buyer demand.
- Strategically position the TMC to differentiate their services when marketing against smaller TMC’s and ITMC’s.

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Services: ACS services are extensions of the account management services provided by the affiliate TMC and primarily consists of two services; (i) “Hotel RFP Service” that include sourcing of all or a portion of the RFP process; and, (ii) “Airline Contract Modeling Services” that formats and analyzes O & D segment level data to monitor preferred airline contract performance, including market share analysis and contract modeling of “what – if” scenarios for different combinations of preferred suppliers. In addition, many TMC’s are shifting other account management services to the ACS including, online booking tool assessments, adoption and marketing plans, global travel program assessments, benchmarking, travel policy development, etc.

While an ACS may promote itself as an objective third party entity there is no denial they are clearly affiliated with a TMC. This affiliation offers a benefit for the ACS with direct access of travel data processed through their affiliate and joint marketing efforts. However, it also creates professional conflicts for the ACS if it tries to evaluate individual or competing services of the affiliate TMC (e.g., Online solutions, global services, etc), evaluate or recommend preferred suppliers of the TMC (e.g., airline, technology, etc), or if it tries to solicit customers of other TMC’s.

Pricing: Pricing can be based on a fixed or hourly rate and varies by ACS. In most circumstances pricing is negotiated through and subsidized by the affiliate TMC.

Competitors: ACSs compete against TV-SSP’s and TC-SSP’s (see description of TV-SSP and TC-SSP entities below).

When and Where to use ACS Services:

ACS services should be contracted when you’re a customer of the affiliate TMC and the ACS offers a better quality product and value than using a competitor of the ACS or by performing the service internally. ACS entities should **not** be contracted for services when: (i) it includes evaluating services or competing products of the affiliate TMC; (ii) it involves evaluating a “Preferred Supplier” of the affiliate TMC; and, (iii) the ACS will have access to pricing and service offerings of other TMC’s or competing TV-SSP’s.

II. Travel Vendor – Single Solution Provider (TV-SSP)

TV-SSP’s are vendors within the industry that provide a niche solution, product or service directly to corporate travel programs. TV-SSP’s have slowly expanded in number over the past several years as savvy entrepreneurs carve out niche business solutions to supplement and challenge services offered by TMC’s and ACSs. Examples of TV-SSP’s include RFP Express, TRX-Travel Analytics, Prism, iJet, etc. Unlike ACSs, these entities do not share a common owner with a TMC, but may be affiliated with some other travel supplier (typically technology vendor). In addition, many TV-SSP’s sell licenses of their products directly to TMC’s, travel consultants and other travel providers.

Services: TV-SSP Services typically represent four areas; (i) Automated hotel RFP solutions and sourcing services; (ii) Airline contract modeling software and analytical services; (iii) Data management services; and, (iv) Security.

Pricing: Pricing can be based on a fixed, hourly, unit or a percentage rate and varies by entity.

Competitors: TV-SSP’s compete against other TV-SSP’s and directly against TMC’s and ACSs.

When and Where to use a TV-SSP: You should contract the services of a TV-SSP when your TMC/ACS does not offer a similar service or when the TV-SSP offers a higher quality solution and value than the competing service of your TMC/ACS.

III. Travel Consultant – Single Solution Provider (TC-SSP)

TC-SSP's are individual consultants or entities that offer a niche expertise or single service to corporate travel programs. TC-SSP's are not typically affiliated with any TMC or other travel supplier/vendor within the travel industry and have been around for many years, but represent the smallest category of consultants.

Services: The two most common service examples are “*CTD Specialist*” and “*Travel Manager Outsource Services*”. CTD Specialists perform assessments of corporate travel programs to determine the ROI of the CTD platform and then provide assistance with the conversion and administration of the CTD program. Travel Manager Outsource Services assess travel manager staffing requirements and S & A expenses at corporations and then offer a partial or full travel manager outsource service as a cost reduction strategy. With both examples, the real service and revenue source for the TC-SSP is not in performing the initial assessment but in selling the solution that follows the assessment. This business model trait makes them more of a seller of a predetermined solution than a consultant.

Competitors: TC-SSP's compete against other TC-SSP's and TMC's.

When and Where to use TV-SSP Services: TC-SSP services should be contracted once it has been determined that you could benefit from the proposed service/solution and when they offer the best pricing and service compared to their competitors. You should not use the TC-SSP to perform the initial assessment that determines the ROI of their service, unless it can be validated by an independent third party.

IV. Independent Travel Consultant (ITC)

ITC's are individuals or small entities that operate independently of all travel providers, suppliers and vendors, and provide a broad range of unbiased consulting expertise exclusively to corporate travel buyers. The role of ITC's developed in the early 1980's after airline deregulation made travel more complicated to manage and to help buyers understand all of the third party revenue streams. This role has expanded over the years to support industry changes and new buyer challenges. ITC's represent the largest category of consultants with approximately 15 – 25 established consultants.

Services: ITC services vary by consultant and in most circumstances include;

- Travel program assessments (Service configuration, reservation and expense management processes, technology, travel policies, data management and performance evaluations of TMC, OBT, etc).
- RFP and contract negotiation services for TMC, ACS, TV-SSP, OBT, GDS and other travel provider services.
- Validation of ACS and TC-SSP deliverable services, benchmarks and assessments.
- Strategic sourcing solutions to reduce direct T & E expenses (air, ground transportation, lodging, etc).
- Consolidation of national or multinational travel programs.

Pricing: Pricing is typically hourly or project based, with hourly rates ranging between \$90 - \$200/hr.

When and Where to use ITC Services: ITC services should be considered when your travel program has one of the following requirements;

- Independent resource to assess the current program, including reservation platform, technology, policies, and services/pricing of travel program providers (e.g., TMC, ACS, TV/TC-SSP, OBT, GDS, etc).
- Independent resource to assess the ROI and options of becoming a CTD.
- Independent resource to provide consultation on solutions to reduce travel spend and negotiating strategies with preferred travel suppliers (air, car, hotel, etc).
- Independent resource to help assess and consolidate multiple travel programs as part of a national or global consolidation.
- Independent resource to provide other services that are a conflict when performed by your TMC or ACS.

Competitors: If an individual or entity is truly an ITC, its only competition is other ITC's.

Please note: Some Consultants promote themselves as ITC's but operate more as a TC-SSP or partner with a TV-SSP. For example, some consultants license an automated hotel RFP product or an airline analytical tool from a TV-SSP and then go out and promote this solution. While this is potentially a valuable solution for some buyers, these consultants are no longer objective to evaluate their services against TMC's, ACSs and other solutions or internal options for a buyer. In addition, these consultants are no longer objective to evaluate or negotiate any other TMC or ACS services on behalf of a buyer. Other Consultants promoting themselves as ITC's provide services to corporate buyers and travel providers, suppliers or vendors. These consultants are also not independent and objective for the standard purposes of hiring an ITC.

Summary

The number of individuals and entities promoting Travel Consulting and Professional/Sourcing Services has and will continue to increase over the next several years. While each entity potentially provides a valuable service to a corporate travel program, buyers should carefully evaluate any Consulting or Professional Service before contracting. Like in any other industry, due diligence should include researching the Consultant's experience and qualifications, but also identifying any potential conflicts to the proposed service.