# Less Travel, Better Results

# Unlocking Travel's **Strategic** Value

Scott Gillespie
Industry Advisor

**tClara**

# A **strategically valuable** travel program is

tClara

| Goal-based | Measurable | Controllable |
| --- | --- | --- |
| **Lower prices** | Average ticket price | Cabin policy |
| **More savings** | Discount % | Hotel quality |
| **Sufficient traveler satisfaction** | Traveler satisfaction | Preferred suppliers |
| **Sufficient Duty of Care** | Compliance rates | Booking tool, TMC |

**"Lower prices, more trips"**

![slido]

# Which goal is MOST important to your company?

**Which goal is LEAST important to your company?**

ⓘ Start presenting to display the poll results on this slide.
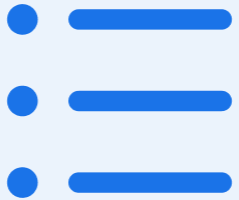
**How confident are you about the answers you just gave?**

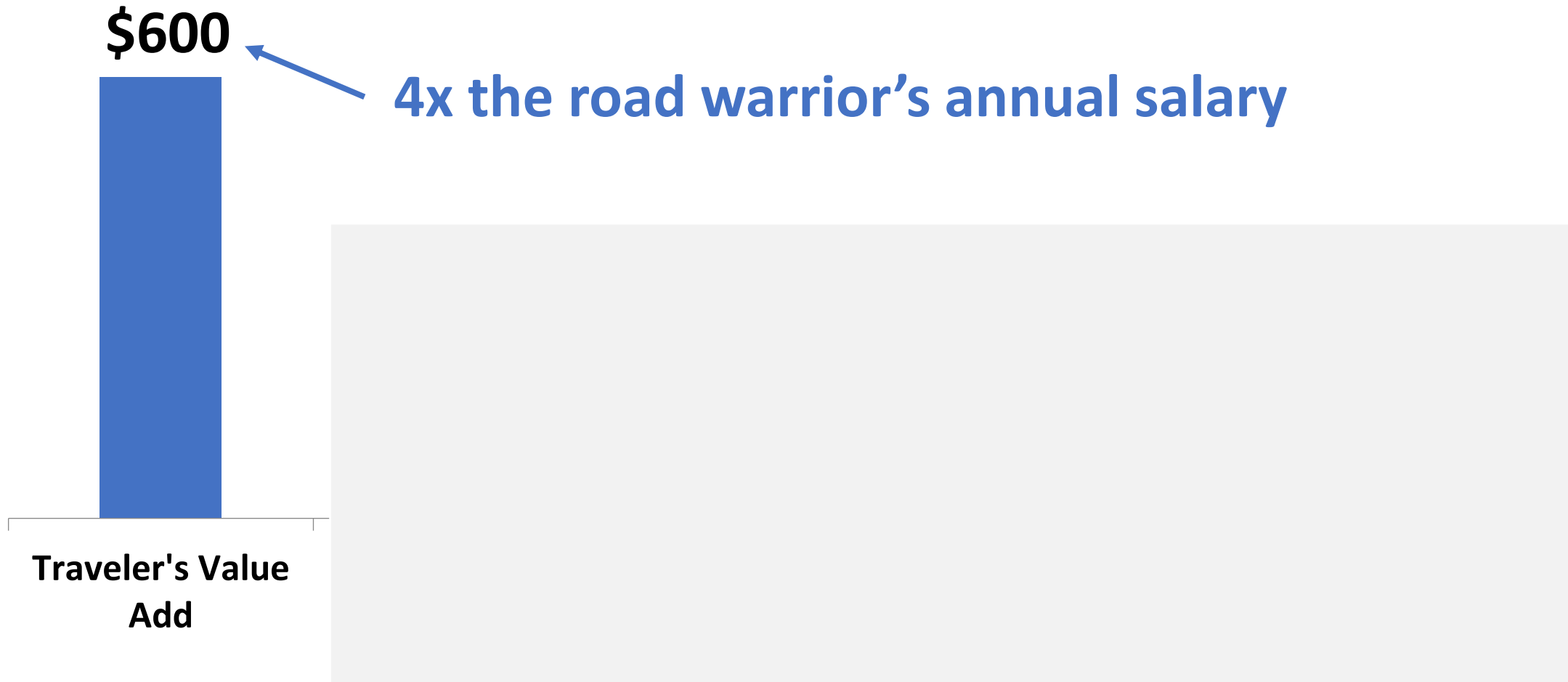ⓘ Start presenting to display the poll results on this slide.

"Lower prices, more trips"

**is no longer
a good
travel strategy.**

**Why?**

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# ROAD WARRIOR VALUE CHAIN
## Annualized in $000s

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**$600**

**4x the road warrior's annual salary**

**Traveler's Value Add**

*Estimated annual values for a U.S. domestic road warrior. Source: scott@tClara.com

The road warrior earns $150k per year, and leaves after three years.
Takes ~30 domestic business trips in Economy a year and stays at 3-star hotels.

# ROAD WARRIOR VALUE CHAIN
## Annualized in $000s

**tClara**

**$600**

## 1 in 3 trips are unsuccessful

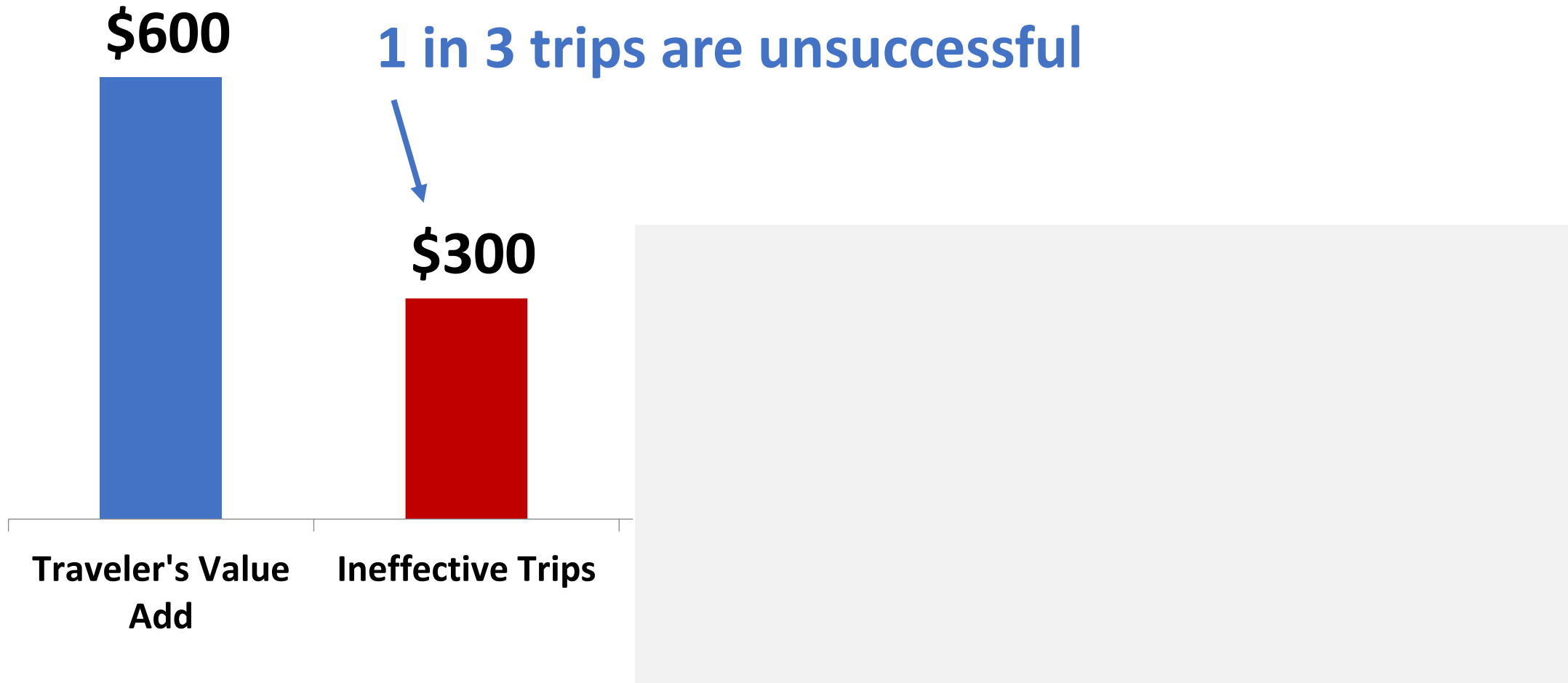**$300**

**Traveler's Value Add**

**Ineffective Trips**

*Estimated annual values for a U.S. domestic road warrior. Source: scott@tClara.com

The road warrior earns $150k per year, and leaves after three years.
Takes ~30 domestic business trips in Economy a year and stays at 3-star hotels.

# ROAD WARRIOR VALUE CHAIN
## Annualized in $000s

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**$600**

**Leaves after 3 years**

**$300**

**$100**

Traveler's Value Add

Ineffective Trips

Attrition Cost

*Estimated annual values for a U.S. domestic road warrior. Source: scott@tClara.com

The road warrior earns $150k per year, and leaves after three years.
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# ROAD WARRIOR VALUE CHAIN
Annualized in $000s

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$600

$300

$40K before
15% discounts

$100

$34

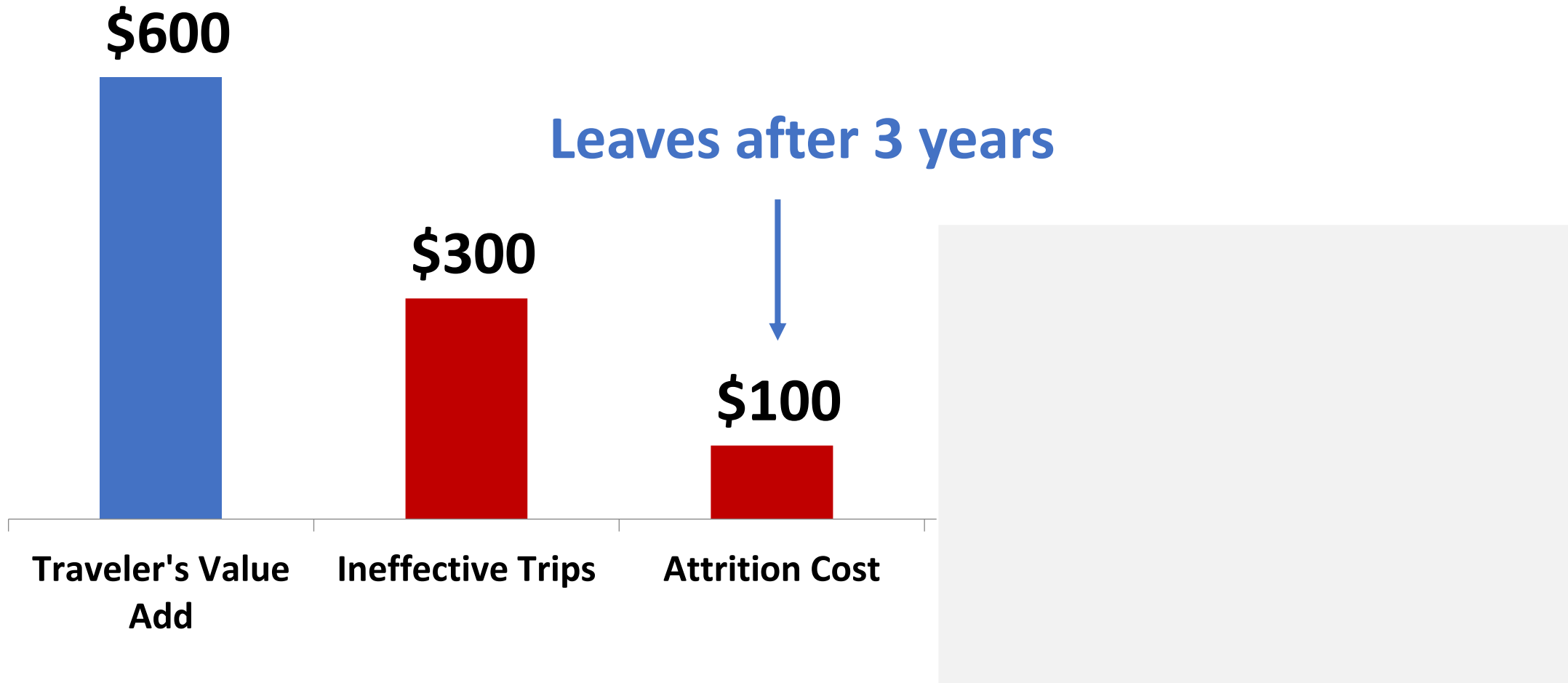| Traveler's Value Add | Ineffective Trips | Attrition Cost | Net Travel Spend |

*Estimated annual values for a U.S. domestic road warrior. Source: scott@tClara.com

The road warrior earns $150k per year, and leaves after three years.
Takes ~30 domestic business trips in Economy a year and stays at 3-star hotels.

**ROAD WARRIOR VALUE CHAIN**
Annualized in $000s

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"Lower prices" focuses on the **smallest** number

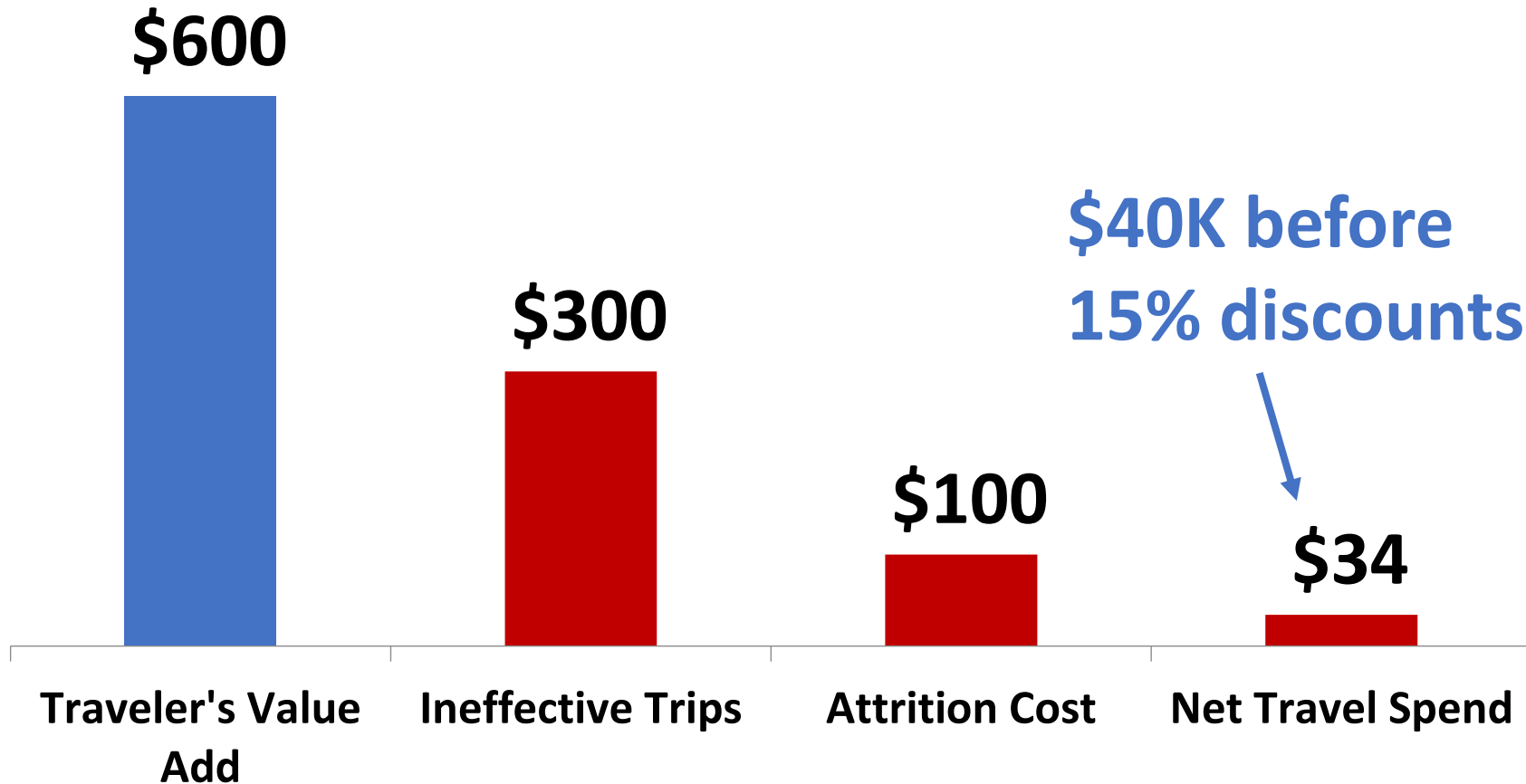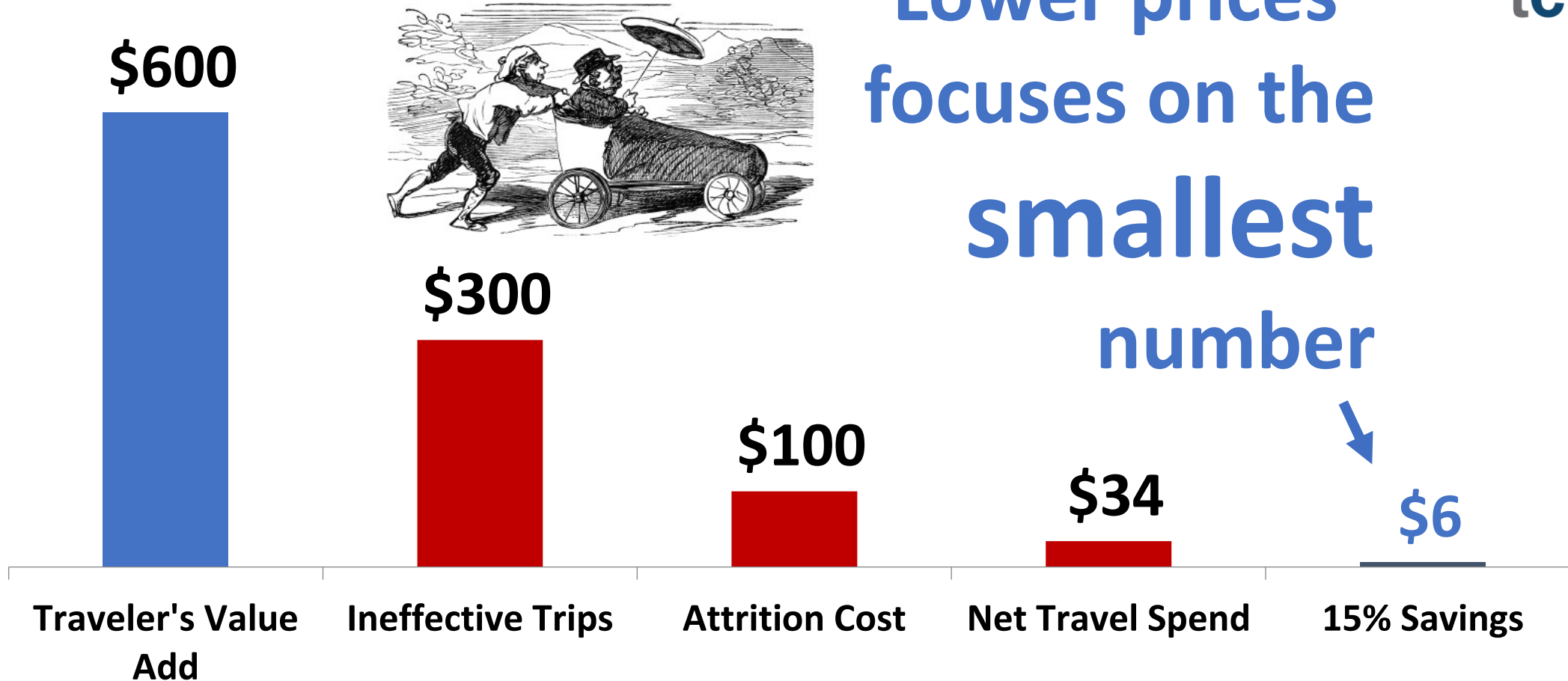| | | | | |
|---|---|---|---|---|
| $600 | $300 | $100 | $34 | $6 |
| Traveler's Value Add | Ineffective Trips | Attrition Cost | Net Travel Spend | 15% Savings |

*Estimated annual values for a U.S. domestic road warrior. Source: scott@tClara.com

The road warrior earns $150k per year, and leaves after three years.
Takes ~30 domestic business trips in Economy a year and stays at 3-star hotels.

# Travel priorities have changed.

**522 business leaders told us so.**
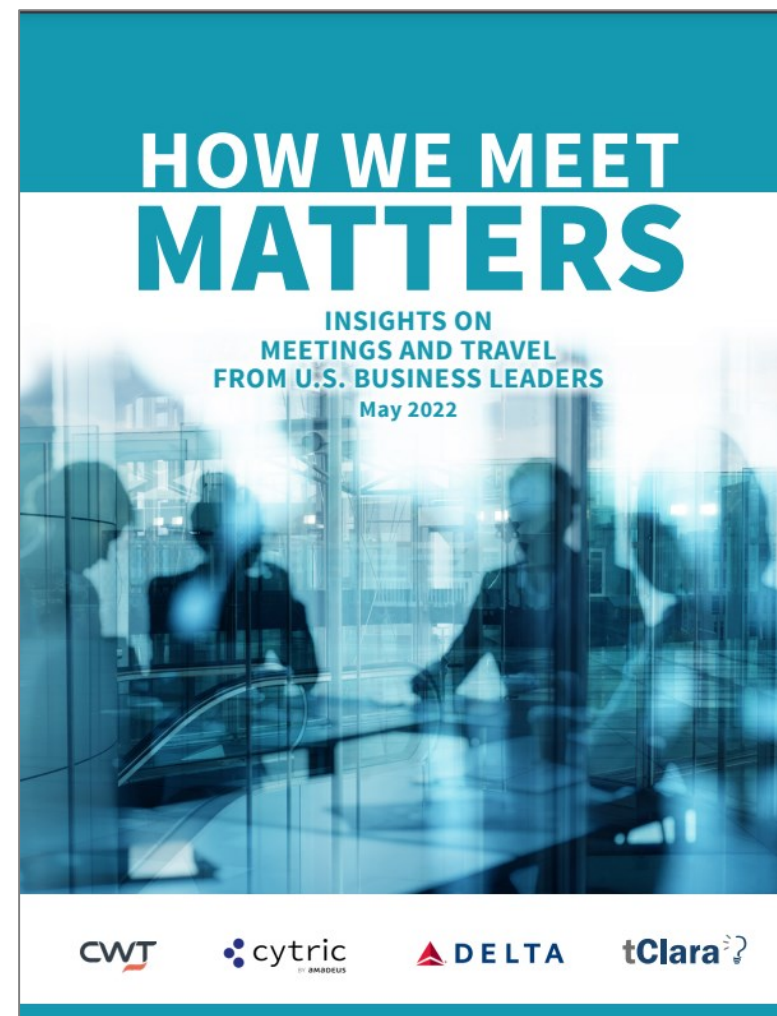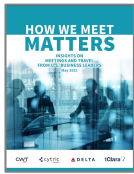


HOW WE MEET
MATTERS

INSIGHTS ON
MEETINGS AND TRAVEL
FROM U.S. BUSINESS LEADERS
May 2022

CWT    cytric BY AMADEUS    DELTA    tClara

1. **More successful trips**

2. **Protect the health and wellbeing of all travelers**

3. **Increase the retention of our frequent travelers**

4. **Reduce carbon emissions, and (tied),**
   **Reduce the number of business trips**

6. Decrease the prices paid for business trips

7. Increase the number of business trips

Source: tClara's study "How We Meet Matters – Insights on Meetings and Travel from U.S. Business Leaders", Fig. 19
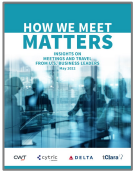
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1. **More successful trips**

2. **Protect the health and wellbeing of all travelers**

3. **Increase the retention of our frequent travelers**

4. **Reduce carbon emissions, and (tied),**

   **Reduce the number of business trips**

# How do we achieve all these goals?

**Less Travel, Better Results**

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# A Strategically Valuable Travel Strategy

# The "Less Travel, Better Results" travel strategy

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## Goal-based

**More trip success**

**Healthier, safer travelers**

**Less road warrior attrition**

**Less CO2 and fewer trips**

~~Cost avoidance and savings~~

## Measurable

Trip success rates

Health, safety metrics

Road warrior attrition

Travel's CO2 emissions

## Controllable

**Pre- and post-trip assessments**

**Demand management**

**Trip quality**

# "Our new travel strategy is paying big dividends"

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New travel strategy implemented

123% Trip success rates

Road warrior attrition

83%

Travel's CO2 intensity

76%

72%

Traveler health and safety concerns

100%

Jan  Feb  Mar  Apr  May  Jun  Jul

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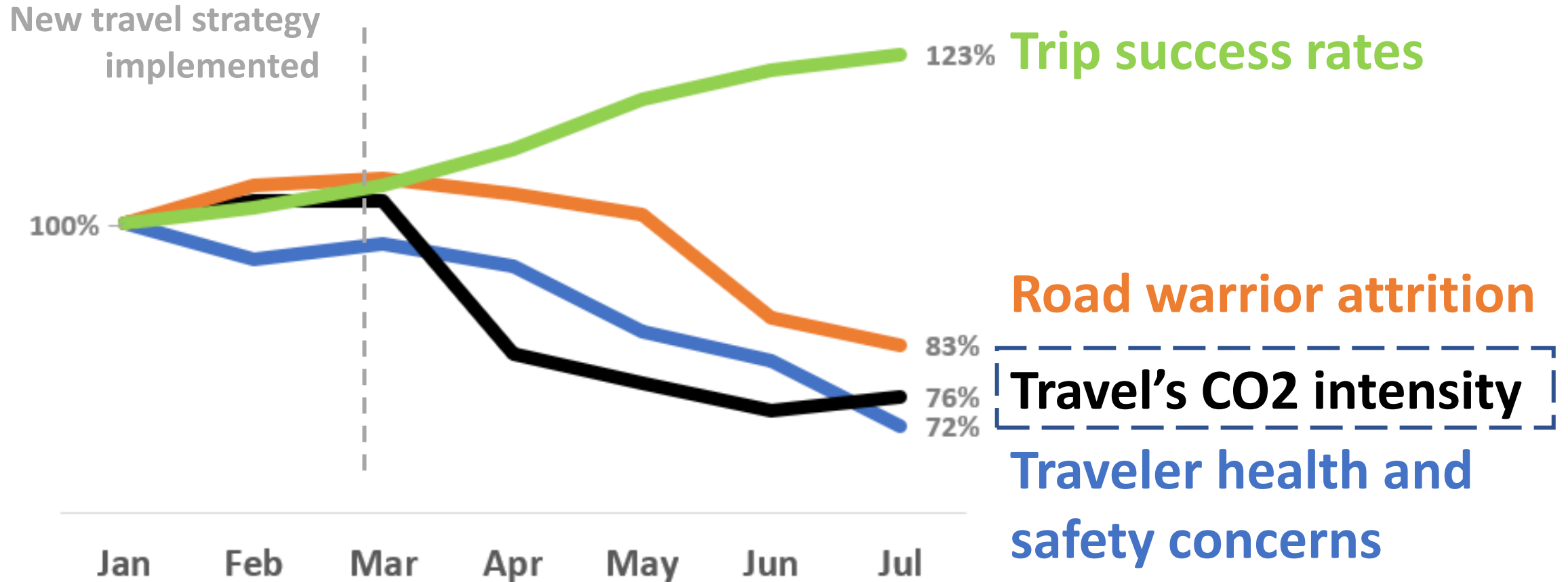
We need a good KPI
for making better
climate-related
decisions.

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$$\frac{\text{The airline's flight-related } CO_2 \text{ for the time period}}{\text{The airline's flight-related revenue for the same period}}$$

*The airline's flight-related CO2 for the time period*

$$\frac{5{,}000 \text{ MM kgs } CO_2}{\$5{,}000 \text{ Million}} = 1.00$$

**Kgs CO2 per $**

*The airline's flight-related revenue for the same period*

**THE BEST KPI FOR JUDGING AIRLINE CO2**

## CO2 Per Revenue $

We want to make **this number** as **small** as possible.

Note: Revenue is flight-related; excludes Other Revenue

## CO2 Per Revenue $

$$\frac{5{,}000 \text{ MM kgs CO2}}{\$5{,}000 \text{ MM Flight-related revenue}} = 1.00$$

**Kgs CO2 per $**

This metric gets smaller when:

- ✓ Airlines raise fares
- ✓ Airlines get more fuel-efficient
- ✓ Travelers avoid cheap flights

**All** are good for the climate.

# Note that ultra low cost carriers perform the worst on this new KPI. Why? High-density seating and cheaper fares.
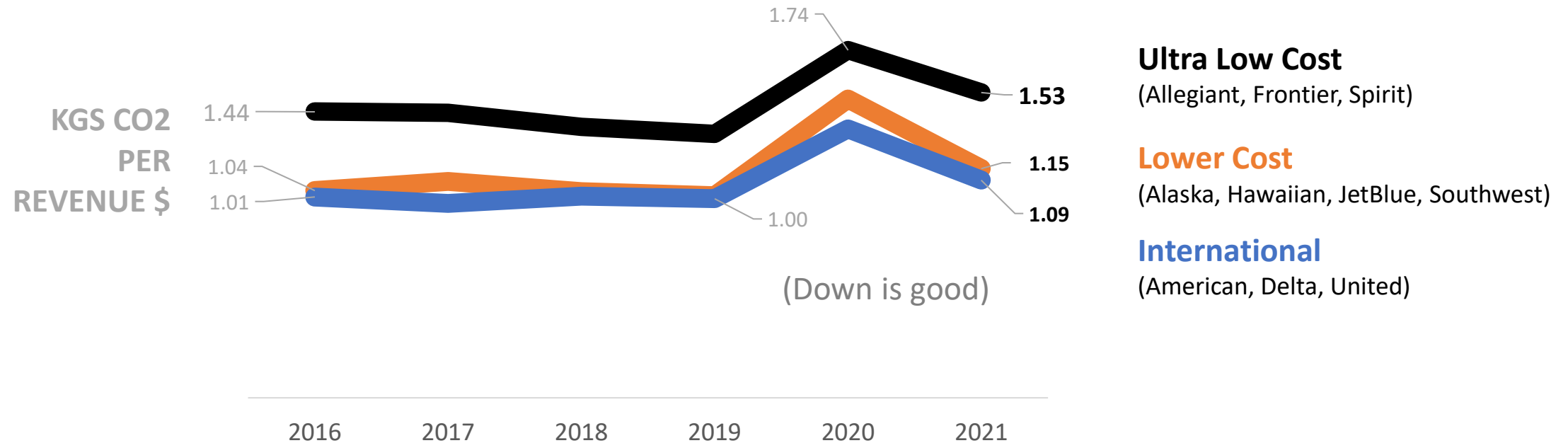


**KGS CO2 PER REVENUE $**

1.44
1.04
1.01
1.74
1.00

**1.53**
**1.15**
**1.09**

(Down is good)

2016    2017    2018    2019    2020    2021

**Ultra Low Cost**
(Allegiant, Frontier, Spirit)

**Lower Cost**
(Alaska, Hawaiian, JetBlue, Southwest)

**International**
(American, Delta, United)

Source: DOT Form 41, Airline 10-Ks. Analysis by Clement Zhang, PhD and his firm Flight BI at flightbi.com

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# Delta and United were best in 2021 using this new KPI.
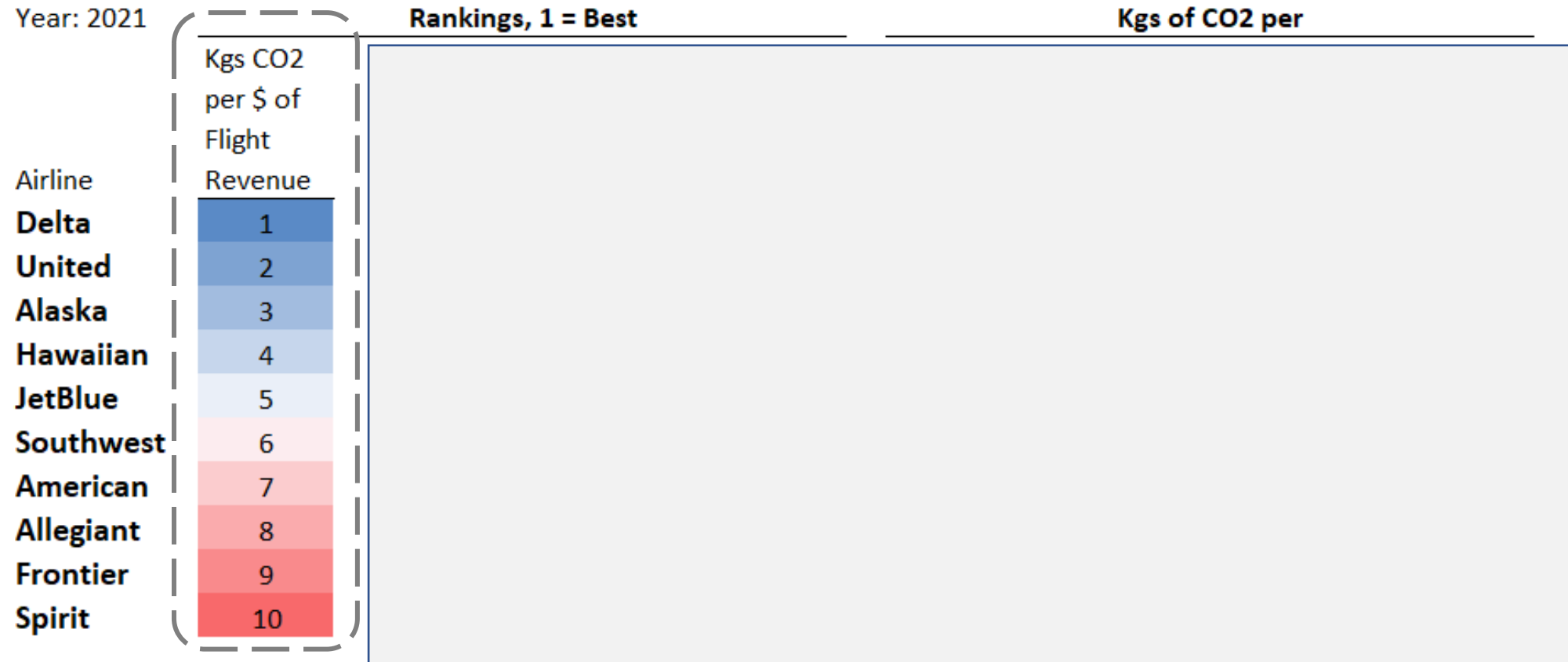
Year: 2021

| Airline | Kgs CO2 per $ of Flight Revenue | Rankings, 1 = Best | Kgs of CO2 per |
|---|---|---|---|
| **Delta** | 1 | | |
| **United** | 2 | | |
| **Alaska** | 3 | | |
| **Hawaiian** | 4 | | |
| **JetBlue** | 5 | | |
| **Southwest** | 6 | | |
| **American** | 7 | | |
| **Allegiant** | 8 | | |
| **Frontier** | 9 | | |
| **Spirit** | 10 | | |

Source: DOT Form 41, Airline 10-Ks. Analysis by Clement Zhang, PhD and his firm Flight BI at flightbi.com

# Fair warning – airline rankings are **very** different when using this new KPI.

Year: 2021

| Airline | Kgs CO2 per $ of Flight Revenue | Rankings, 1 = Best | | | Kgs of CO2 per |
|---|---|---|---|---|---|
| | | Kgs CO2 per Passenger | Kgs CO2 per RPM | Kgs CO2 per ASM | |
| Delta | 1 | 7 | 9 | 8 | |
| United | 2 | 9 | 10 | 10 | |
| Alaska | 3 | 6 | 6 | 5 | |
| Hawaiian | 4 | 10 | 7 | 4 | |
| JetBlue | 5 | 8 | 5 | 7 | |
| Southwest | 6 | 2 | 3 | 6 | |
| American | 7 | 5 | 8 | 9 | |
| Allegiant | 8 | 4 | 4 | 3 | |
| Frontier | 9 | 1 | 1 | 1 | |
| Spirit | 10 | 3 | 2 | 2 | |

Source: DOT Form 41, Airline 10-Ks. Analysis by Clement Zhang, PhD and his firm Flight BI at flightbi.com
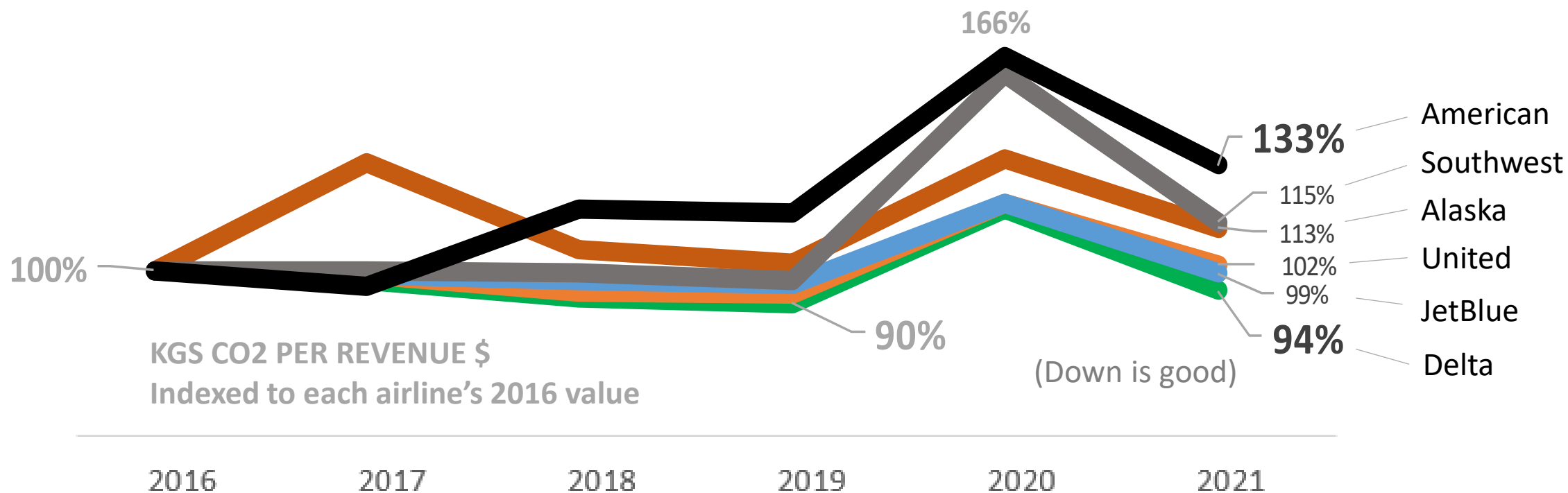
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# Fair warning – airline rankings are **very** different when using this new KPI.

Year: 2021

| Airline | Rankings, 1 = Best | | | | Kgs of CO2 per | | | |
|---|---|---|---|---|---|---|---|---|
| | Kgs CO2 per $ of Flight Revenue | Kgs CO2 per Passenger | Kgs CO2 per RPM | Kgs CO2 per ASM | $ of Flight Revenue | Passenger | Revenue Passenger Mile (RPM) | Available Seat Mile (ASM) |
| Delta | 1 | 7 | 9 | 8 | 1.00 | 205 | 0.201 | 0.139 |
| United | 2 | 9 | 10 | 10 | 1.08 | 252 | 0.206 | 0.148 |
| Alaska | 3 | 6 | 6 | 5 | 1.10 | 195 | 0.166 | 0.122 |
| Hawaiian | 4 | 10 | 7 | 4 | 1.11 | 267 | 0.174 | 0.121 |
| JetBlue | 5 | 8 | 5 | 7 | 1.14 | 224 | 0.165 | 0.125 |
| Southwest | 6 | 2 | 3 | 6 | 1.18 | 128 | 0.157 | 0.123 |
| American | 7 | 5 | 8 | 9 | 1.19 | 188 | 0.193 | 0.147 |
| Allegiant | 8 | 4 | 4 | 3 | 1.30 | 146 | 0.164 | 0.116 |
| Frontier | 9 | 1 | 1 | 1 | 1.35 | 125 | 0.127 | 0.097 |
| Spirit | 10 | 3 | 2 | 2 | 1.84 | 137 | 0.132 | 0.104 |

Source: DOT Form 41, Airline 10-Ks. Analysis by Clement Zhang, PhD and his firm Flight BI at flightbi.com

# We can now track each airline's progress at **de-carbonizing their flight revenues.**

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**KGS CO2 PER REVENUE $**
Indexed to each airline's 2016 value

166%

133%

115%

113%

102%

99%

94%

90%

100%

(Down is good)

American

Southwest

Alaska

United

JetBlue

Delta

2016    2017    2018    2019    2020    2021

Source: DOT Form 41, Airline 10-Ks. Analysis by Clement Zhang, PhD and his firm Flight BI at flightbi.com

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Now that
we can judge
how **clean or dirty**
any airline's revenues
are CO2-wise,
can we do the
same for **airfares?**

Yes.

Easily, if your
airline booking tool
already has the
CO2 per Passenger
data.

Here's how...

*1. Put the CO2 per Passenger metric here*

$$\frac{500 \text{ kgs CO2}}{\$500 \text{ ticket price}} = 1.00 \text{ Kgs CO2 per \$}$$

*2. Put the **price** here*

## "CO2 Per (Airfare) $"

**(or Hotel, or Car Rental, or Meetings)**

We want to make **this number** as **small** as possible.

**If the goal is to de-carbonize** a company's spend on air travel:

|  | CO2 per Passenger | Ticket Price |
|---|---|---|
| Flight A | 500 kgs | $500 |
| Flight B | 600 kgs | $500 |
| Flight C | 700 kgs | $800 |
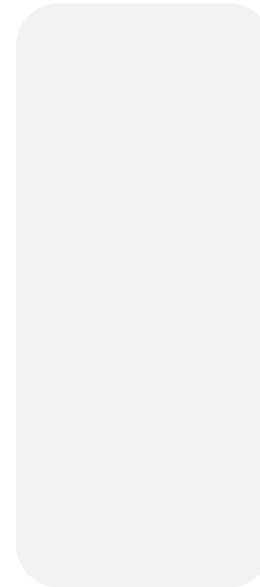
**If the goal is to de-carbonize** a company's spend on air travel:

| | CO2 per Passenger | Ticket Price | **CO2 per $** |
|---|---|---|---|
| Flight A | 500 kgs | $500 | 1.00 |
| Flight B | 600 kgs | $500 | 1.20 |
| Flight C | 700 kgs | $800 | **0.88** |

**Take the flight with the lowest CO2 per $**

If the goal is to reduce CO2, higher airfares are our friend.

**Higher** airfares help eliminate airline CO2 in four important ways.

1. Higher prices reduce demand for flights.

2. They make it harder to justify low-value trips.

3. They chew up the travel budget faster, so fewer trips are taken.

4. They make it easier for airlines to invest in sustainable aviation.

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Companies can now show their progress toward **de-carbonizing their travel spend.**

KGS CO2
PER $ SPENT
ON TRAVEL

1.00

0.97

(Down is good)

0.91 Benchmark Peers

"We implemented our new travel policy"

0.76 **Our Firm**

Jan    Feb    Mar    Apr    May    Jun    Jul

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**HOW WE MEET MATTERS**

INSIGHTS ON MEETINGS AND TRAVEL FROM U.S. BUSINESS LEADERS
May 2022

CWT · cytric · DELTA · tClara
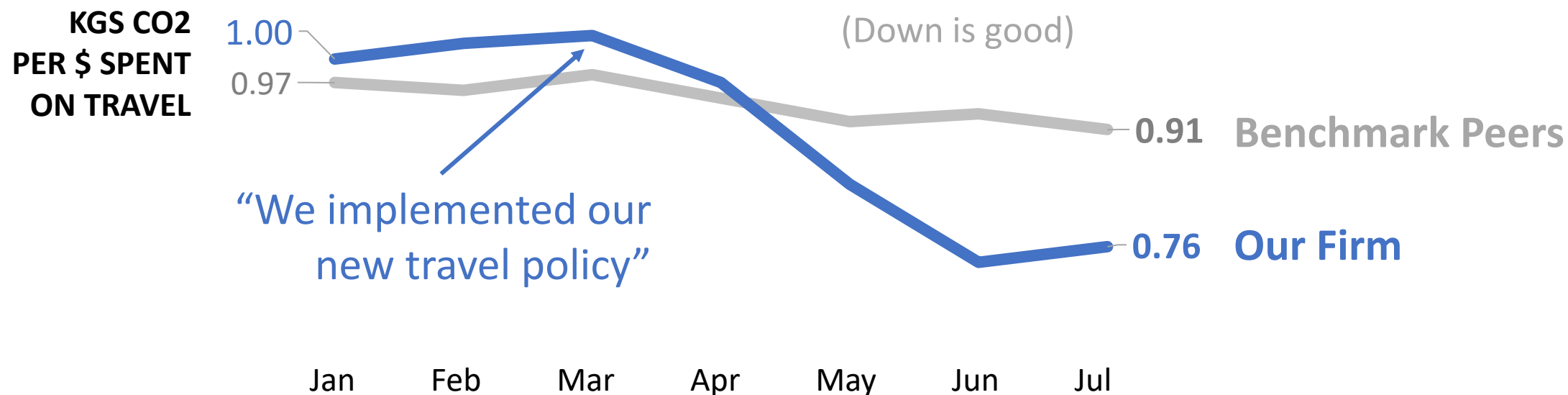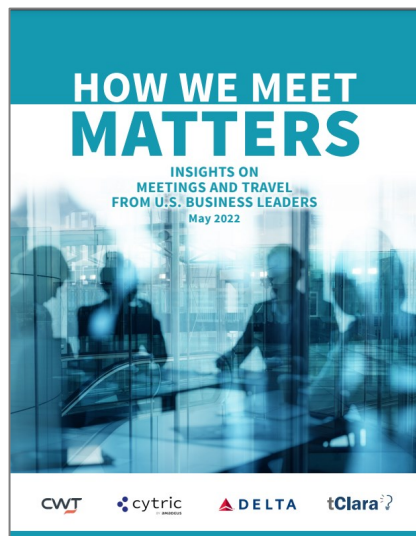
# 77%

N = 522
Business Leaders

**Can't tell** if their companies are traveling **too much or too little,** other than by looking at the travel budget.

# Solution? Require pre/post-trip assessments.

Source: tClara's study "How We Meet Matters – Insights on Meetings and Travel from U.S. Business Leaders", Fig. 20

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**HOW WE MEET MATTERS**
INSIGHTS ON MEETINGS AND TRAVEL FROM U.S. BUSINESS LEADERS
May 2022

CWT   cytric   ▲DELTA   tClara
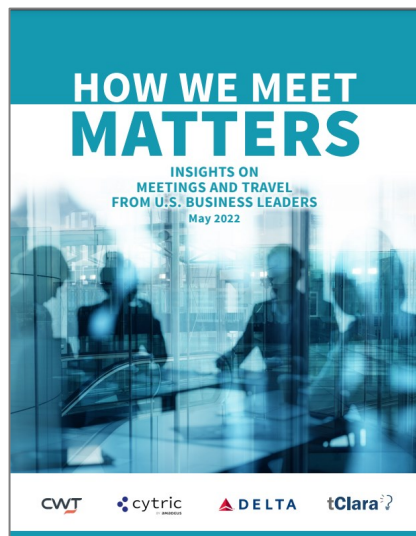
# 90%

N = 522
Business Leaders

**Agree** that frequent travelers **should document** the need for travel **before each trip.**

# The benefits are strategically significant.

Source: tClara's study "How We Meet Matters – Insights on Meetings and Travel from U.S. Business Leaders", Fig. 21

## "Why are you traveling?"

Total / Averages

**Win Revenue**

**Earn Customer Trust**

**Upgrade Our Technology**

**Gain Operational Excellence**

**Improve Our Workforce**

**Control Costs and Risks**

**Strengthen Supply Chains**

**Achieve Our Mission**

**Deliver Innovation**

**Shape Our Future**

**Link each trip to <u>one</u> of these strategic goals.**

Source: scott@tclara.com

Share of
**Travel Spend**

Total / Averages ........ 100%

**Win Revenue** — **21%**

**Earn Customer Trust** — 17%

**Upgrade Our Technology** — 15%

**Gain Operational Excellence** — 12%

**Improve Our Workforce** — 11%

**Control Costs and Risks** — 8%

**Strengthen Supply Chains** — 7%

**Achieve Our Mission** — 4%

**Deliver Innovation** — 3%

**Shape Our Future** — **2%**
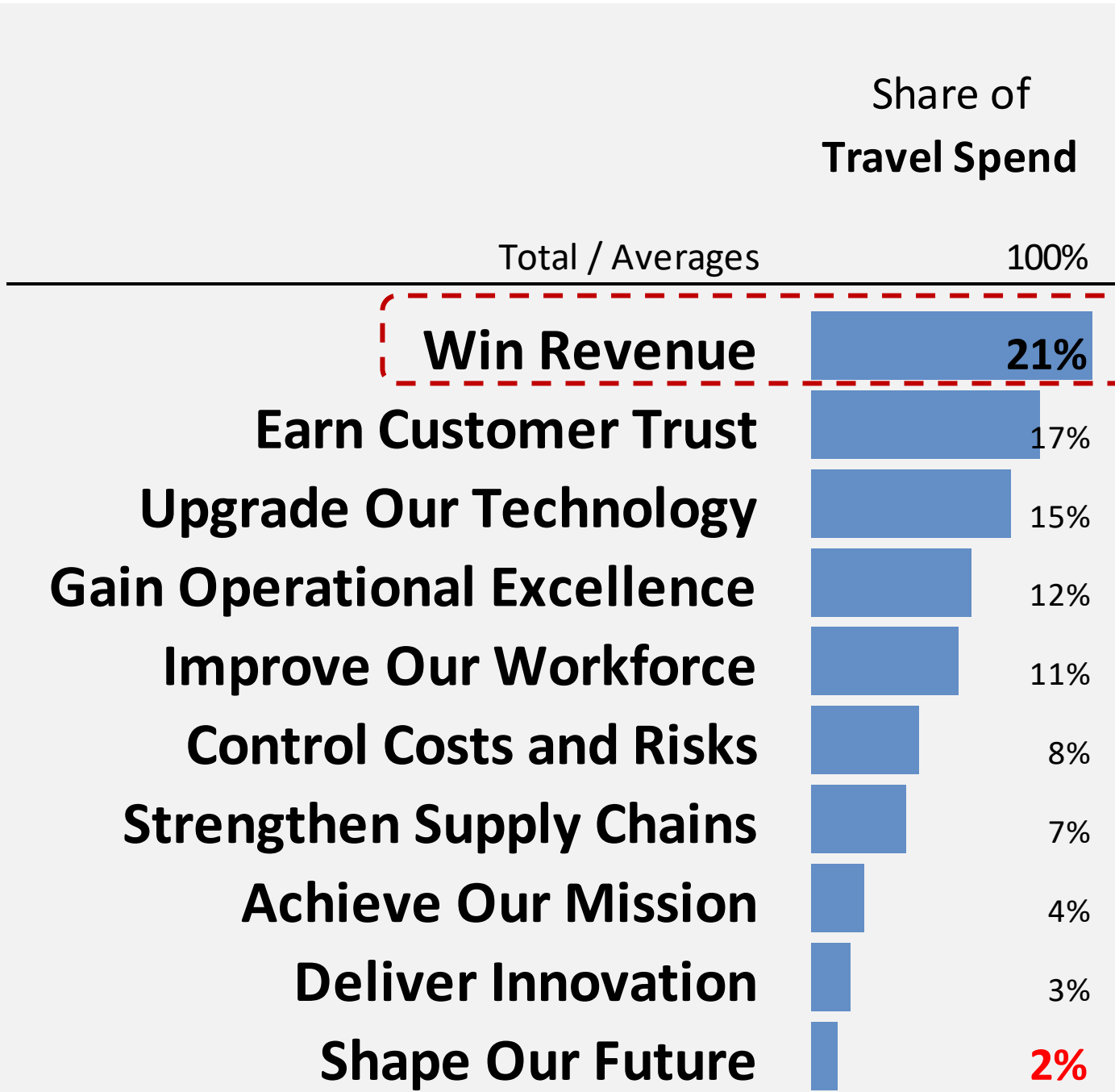
**Show the travel spend used by each goal.**

Source: scott@tclara.com

35

|  | Share of Travel Spend | Average **Trip Success** |
|---|---|---|
| Total / Averages | 100% | **57%** |
| **Win Revenue** | **21%** | 54% |
| **Earn Customer Trust** | 17% | **81%** |
| **Upgrade Our Technology** | 15% | 59% |
| **Gain Operational Excellence** | 12% | 44% |
| **Improve Our Workforce** | 11% | **31%** |
| **Control Costs and Risks** | 8% | 64% |
| **Strengthen Supply Chains** | 7% | 58% |
| **Achieve Our Mission** | 4% | 55% |
| **Deliver Innovation** | 3% | 74% |
| **Shape Our Future** | **2%** | 49% |
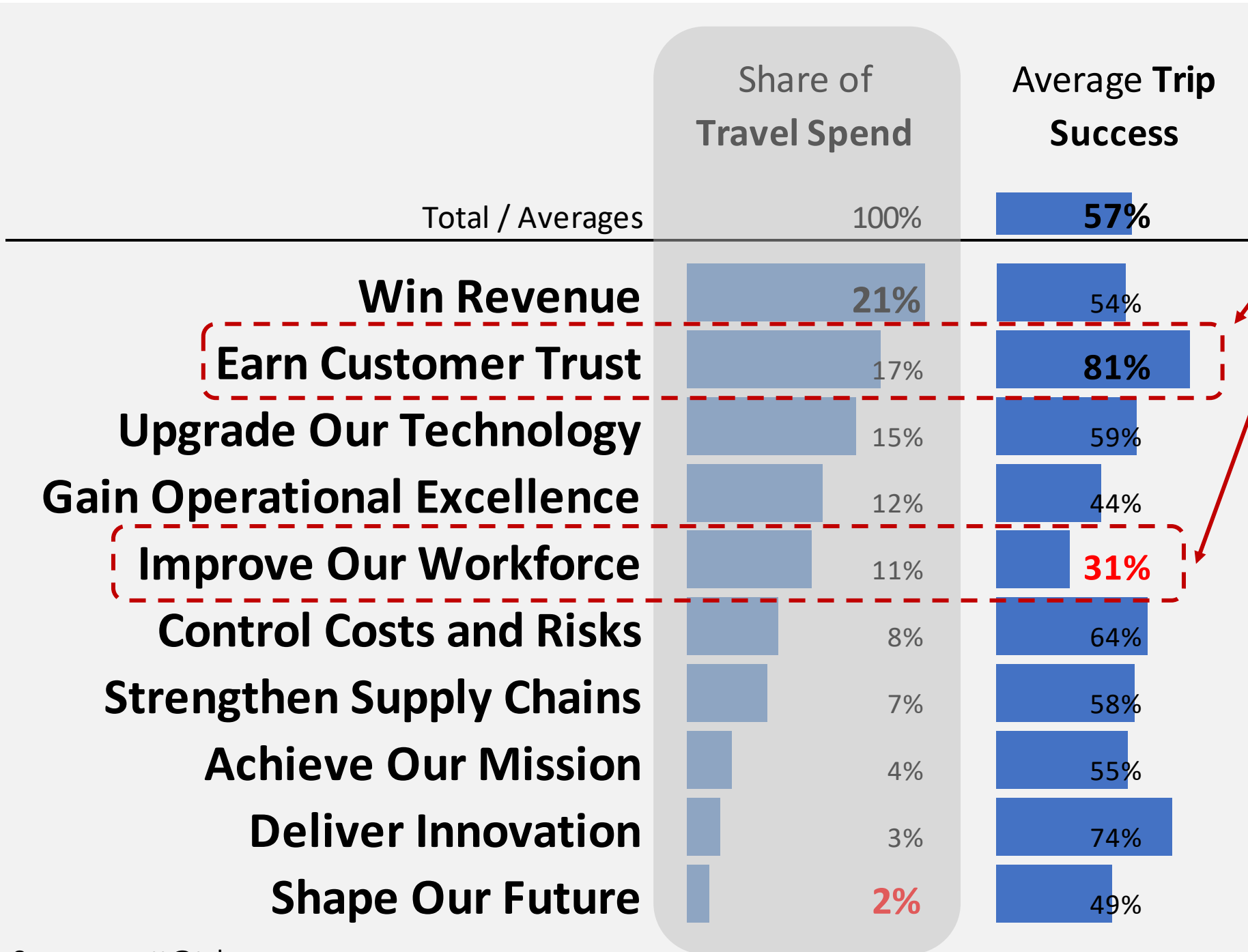
**Track trip success rates.**

**"How successful was your trip?"**

| | Share of **Travel Spend** | Average **Trip Success** |
|---|---|---|
| Total / Averages | 100% | **57%** |
| **Win Revenue** | **21%** | 54% |
| **Earn Customer Trust** | | |
| **Upgrade Our Technology** | | |
| **Gain Operational Excellence** | | |
| **Improve Our Workforce** | | |
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| **Shape Our Future** | **2%** | 49% |

**Infer how travel should be re-allocated**

|  | Share of **Travel Spend** | Average **Trip Success** | May Need **More** or **Less** **Travel** by |
|---|---|---|---|
| Total / Averages | 100% | **57%** | 4% |
| **Win Revenue** | **21%** | 54% | **14%** |
| **Earn Customer Trust** | | | 4% |
| **Upgrade Our Technology** | | | 6% |
| **Gain Operational Excellence** | | | -9% |
| **Improve Our Workforce** | | | -5% |
| **Control Costs and Risks** | | | 9% |
| **Strengthen Supply Chains** | 7% | 58% | 2% |
| **Achieve Our Mission** | 4% | 55% | -10% |
| **Deliver Innovation** | 3% | 74% | 11% |
| **Shape Our Future** | **2%** | 49% | 12% |

Ask management if they agree.

# THE POWER OF PRE/POST-TRIP ASSESSMENTS

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## "Our new travel strategy is paying big dividends"

New travel strategy implemented



123% — **Trip success rates**

**Road warrior attrition**

83%

76%
72%

**Travel's CO2 intensity**

**Traveler health and safety concerns**

Jan  Feb  Mar  Apr  May  Jun  Jul

| | Share of **Travel Spend** | Average **Trip Success** | May Need **More** or **Less** Travel by |
|---|---|---|---|
| Total / Averages | 100% | **57%** | **4%** |
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| **Improve Our Workforce** | 11% | **31%** | -5% |
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Source: scott@tclara.com

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# USING THE POWER OF TRAVEL DEMAND MANAGEMENT

ILLUSTRATIVE DATA

# Business trips have different values

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VALUE ADDED PER TRIP
BY MEETING IN PERSON
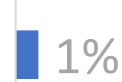
More than $1MM — 1% — Very high value

$100K to $1MM — 3%

$20-100K — 6% — High value

$10-20K — 11% — Moderate value

$5-10K — 18%

$1-5K — 26% — Low value

Less than $1K — 35%

ILLUSTRATIVE SHARE OF BUSINESS TRIPS

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**VALUE ADDED PER TRIP
BY MEETING IN PERSON**

# If all trips cost $5,000, which trips are not justified?

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| Value Added | Share |
|---|---|
| **More than $1MM** | 1% |
| **$100K to $1MM** | 3% |
| **$20-100K** | 6% |
| **$10-20K** | 11% |
| **$5-10K** | 18% |
| **$1-5K** | 26% |
| **Less than $1K** | 35% |

**High trip prices eliminate a LOT of low-value trips.**

SHARE OF BUSINESS TRIPS

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**Much higher prices make us think much harder.**

# Consider two strategies. Each costs $2,000 on average. Which one best achieves all the goals?

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**A** **1st/Business class policy**
$2,000 Avg. Ticket Price
No CO2 tax

- ✓ **Fewer low-value trips**
- ✓ **Less CO2**
- ✓ **More successful trips**
- ✓ **Healthier, safer travelers**
- ✓ **Less attrition of road warriors**

**B** **Economy class policy**
$500 Avg. Ticket Price
+ **$1,500 CO2 tax**

- ✓ **Fewer low-value trips**
- ✓ **Less CO2, + CO2 Mitigation $$$**
- ☐ More successful trips
- ☐ Healthier, safer travelers
- ☐ Less attrition of road warriors

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It is **always greener** to **fly First or Business Class** whenever the premium ticket's price is **at least 3 times** the average Economy ticket's price.*

*Assuming 100% of the air travel budget is spent.

**Less Travel, Better Results**

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**Requires**

✓ **New metrics**

✓ **Higher trip prices**

✓ **Higher trip quality**

✓ **Pre/post-trip assessments**

Less Travel, Better Results

**Procurement Implications**

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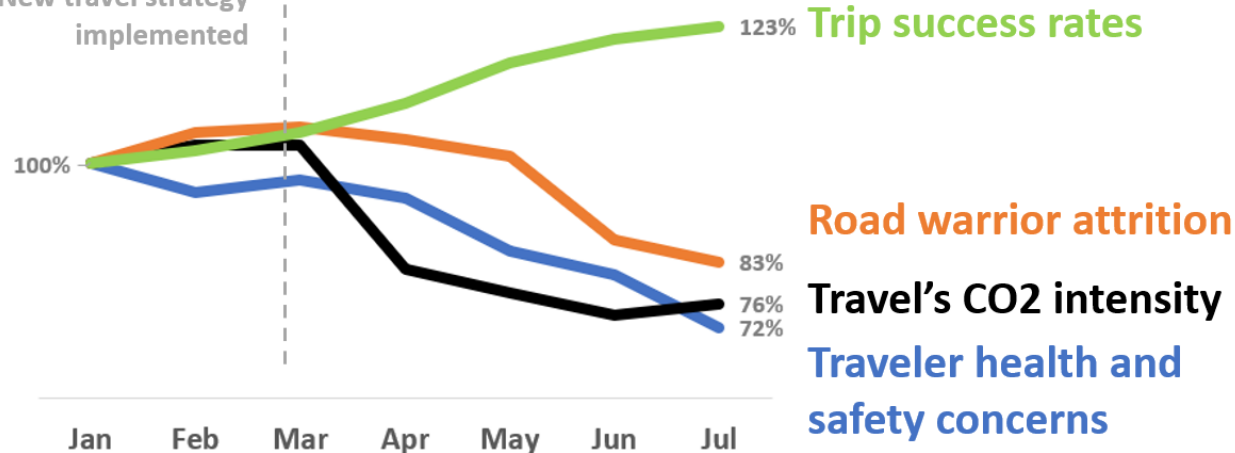# "Are you crazy??"

# "Let's manage travel differently"

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## "Our new travel strategy is paying big dividends"

New travel strategy implemented

- 100%
- 123% **Trip success rates**
- 83% **Road warrior attrition**
- 76% **Travel's CO2 intensity**
- 72% **Traveler health and safety concerns**

Jan  Feb  Mar  Apr  May  Jun  Jul

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| Achieve Our Mission | 4% | 55% | -10% |
| Deliver Innovation | 3% | 74% | 11% |
| Shape Our Future | 2% | 49% | 12% |

Source: scott@tclara.com

scott@tclara.com

✓ Validate the goals, then

✓ Sell the strategy and KPIs to budget owners

✓ **Re-shape supplier sourcing and contracts**

   ✓ **Toward sustainability, product quality and value-adds**

   ✓ **Away from discounts, market share and volume**

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# A "No Discounts Allowed" world

*Imagine that senior management embraces high prices, and* **forbids** *negotiating for discounts.*

**"We'll pay retail."**

Buyers, how does this change your negotiating power?

What will you negotiate for now?

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# Tell your leadership you can do more.

**SELL THIS**

**NOT THIS**



Less Travel,
Better Results

# slido

**How intriguing was this session?**

ⓘ Start presenting to display the poll results on this slide.

# Continue the discussion
# with Scott Gillespie

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**Next Speaking Events**

**Aug. 15, 16    GBTA Convention in San Diego**

Mon. 10:00    Sustainability Buzzwords
Mon. 11:00    Post-Pandemic Predictions
Mon.   4:30    Travel Program Optimization
Tue.   11:15    How Should We Meet?