

CASE STUDY

Developing a Best In Class Corporate Travel Strategy

The client is a national health care organization that provides various medical services to both hospitals and direct patient care through wholly owned clinics.

THE CHALLENGE

In early 2009, the client had identified gaps in its current service model and lost opportunity utilizing its spend volume to leverage air, car, and hotel vendors. As a service provider that not only services patients directly but also provides consulting services to hospitals and health care organizations throughout the U.S., the client recognized that its travel component must be as optimized as other areas of its business in order to be competitive. Historically, the internal travel management function had been controlled by the Director of Strategic Sourcing and, admittedly, he did not possess the time, resources, or skill set to navigate the fast changing nature of the corporate travel industry or the demands from his many internal constituents.

To make matters worse, the client also identified several under-attended internal meetings which cost several hundred thousand dollars in penalty fees due to inexperience negotiating meetings and conference space at major hotels. Recognizing the lost opportunity and risk for further exposure the client sought help in the form of an outsourced business model that could deliver an optimized program.

THE SOLUTION

In response to increased competitive pressure coupled with a depressed economy, the client's executive team issued several key mandates that would be used to benchmark program success:

- Cut travel by 10% without experiencing an impact on customer relationships or sales opportunities
- Establish a dedicated travel team that paid for itself by several multiples in year one
- Identify enough cost savings through process improvement and vendor leverage to pay for all non-billable travel (approximately 25% of total travel spend)
- Enable a benchmarking methodology to serve as a litmus test to measure travel spending against competitors
- Increase customer service



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The client engaged KesselRun and with these key directives in mind became the client's de facto Travel Manager. Reporting to the Director of Strategic Sourcing, KesselRun worked hand in hand with the client's existing corporate travel agency and industry vendors to develop a plan to meet and measure these key goals. KesselRun's project team developed a strategy to enable work on all of these elements simultaneously.

The primary program elements KesselRun considered centered around travel policy, pre-trip approval process, automation including an aggressive online booking strategy, vendor optimization initiatives including air, car, and hotel RFP's, exception reporting, and strategic meetings management.

"KesselRun delivered.

We knew lost savings opportunities existed

but didn't realize how deep it went.

We met our financial goals while setting a

framework for long term optimization."

Stakeholder Quote

THE VALUE

In the first few weeks of the engagement those "quick hit" wins proved intuitive and deeper analysis around corporate travel policy revealed additional cost savings opportunities particularly on the Entertainment side of the company's policy. By putting into place an efficient and compliant program approximately 15% direct cost savings were realized. Against a \$12 million program consisting of air, car, hotel, rail, and black car services, \$1.8 million was identified in savings through consolidation, optimization and strategic spending cuts. The savings covered the non-billable travel expenses for more than a year.

Additionally, access to reliable reporting enabled measurable and meaningful benchmarking metrics that provided value add to the client and its business units. Within 6 months an infrastructure was in place that enabled the measurement of key program performance indicators. It was also able to measure the efficacy of its program through the lens of cost savings across its non-billable travel expenses. Lastly, KesselRun had devised a long term program that enabled incremental year over year savings and a best in class "procure to pay" operation the helped business unit managers focus on their core job responsibilities.

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