



HOTEL PROGRAM MANAGEMENT

A Client Success Story: American Standard

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To remain competitive in this global economy, companies are mobilizing travelers and challenging corporate travel buyers to find new ways to save money in today's market. Air travel is costly and heavily scrutinized, while hotel costs go largely unmanaged. For the past few years the hotel industry has been booming and the average hotel room rate has continued to rise. American Standard working with BCD Travel, created a way to calculate and negotiate the "total cost of stay" for its travelers, engineering ways to increase travel policy compliance and enabling the company to keep costs down.

Raising the Standard

As a global leader in the intensely competitive and dynamic manufacturing sector, American Standard's history has been marked by steady growth and productivity improvement. With market leadership in three distinct business categories — air conditioning systems and services, bath and kitchen products, and vehicle control systems — gaining and sustaining a competitive advantage is critical to their success. Beginning in 2000, American Standard's leadership encouraged every employee to embrace Six Sigma (a data-driven discipline for improving the quality of products and processes) as well as a materials management supply chain strategy for better buying. The principles of these productivity initiatives were applied to all facets of the company, including the global travel program, with a goal of achieving 6 percent year-over-year savings.

With these savings goals in mind, Tom Barrett, American Standard's global strategic sourcing director, identified the company's global hotel program as the greatest area of opportunity for improvement. "Our hotel spend was largely unmanaged because it was a difficult area to tackle and even harder to mandate," said Barrett. "The decision you make about where to sleep overnight is intensely personal. It's very different from deciding which plane to hop on for a few hours," he explained. Working with his global and regional account managers, Barrett enlisted the support of the BCD Travel Consulting team to analyze American Standard's travel program and hotel expenditures. After reviewing the company's travel patterns, credit card data and traveler booking trends, the team designed a comprehensive strategy to improve service levels for travelers while also increasing compliance.

The Hotel Study

Travelers and administrative staff from various functional areas in the company (including sales, marketing, manufacturing and operations) were interviewed about their travel practices and preferences. Armed with a better understanding of market dynamics, travel patterns and traveler needs, Barrett created a sourcing strategy focused on "total cost of stay" rather than negotiating the lowest nightly hotel rate. The team identified the hotel





properties and mix of amenities most frequently used and most highly valued by travelers at American Standard. The team also benchmarked the current contracts against companies of similar size to ensure their strategy was valid and viable.

The New Configuration

Once the new preferred hotel program strategy was established, it was time to configure American Standard's travel processes and systems to reflect the new suppliers and travel policies. First, an audit was conducted of the global distribution system (GDS) to ensure negotiated rates were loaded correctly. And simultaneously, unauthorized rates loaded under the client's rate codes were removed.

Secondly, both travel counselor point-of-sale systems and the company's online, self-service booking tool were augmented with scripts and screen highlights prompting counselors and travelers to make "the best choice possible" within the company's travel policy. Travelers who make choices "outside the policy" are prompted to explain why they did not book a preferred hotel through the agency or accept the lowest rate available.

Next, rate-management technology displays American Standard's negotiated rates, BCD Travel's global hotel program rates and discount rates with more flexible cancellation policies. This approach ensures American Standard's travelers have a variety of low rates from which to choose, even in markets where the company doesn't have enough volume to negotiate its own discounted rate. Lastly, Barrett began to use fully BCD Travel's mid-office quality assurance system and pre- and post-trip reports to compare travelers' selections of hotels and rates to the preferred list, and electronically notify both management and the traveler when policy exceptions occur. By carefully scrutinizing these reports, out-of-policy reservations and other missed opportunities for savings became easier to identify, allowing for corrective action to be taken prior to travel.

PROVEN SUCCESS

American Standard's program success speaks for itself:

- *Year 1:* U.S. program compliance increased to approximately 50 percent of bookings through the preferred hotel program.
- *Year 2:* U.S. program compliance increased to approximately 64 percent of bookings through the preferred hotel program.
- *Today,* 89 percent of American Standard's U.S. bookings are policy compliant.



Today, with support from William Van Syckel, CFO for the company's Business Services group, Barrett works with the Business Services team and department managers to identify and correct non-compliant booking activities, constantly communicating the value of the overall program to travelers. Post-trip reports provide a "big picture" view of the entire program and highlight areas where the policy and property selection can be adjusted to increase compliance. In addition, consolidated global data provides Barrett with greater leverage for supplier negotiations.

Communication is Key

Barrett recognized that simply asking travelers to stick to policy was not enough. With more than 9,000 employees around the world using the travel program, he knew obtaining buy-in from the company's hotel coordinators was paramount to the success of the program. Barrett identified key business owners in the company to champion the hotel initiative and to work together to "chase the spend." Today, travelers are onboard with the program, booking the company's preferred hotels through its online hotel directory, which provides instant access to property details, policies and updates from the global travel team.

According to Barrett, the two keys to the success of the program are:

- Understanding the unique cultures and requirements within the company and using that knowledge to guide the sourcing initiative, ensuring travelers' preferences and requirements are met.
- Improving communications by focusing on benefits and fostering support from business leaders and travelers, rather than simply mandating compliance.



Global Results

With a global hotel program in place, American Standard began almost immediately to reap some impressive results. In the U.S., the biggest part of the program, the company achieved incremental savings of approximately 6 percent. "We knew we had to create a program with our travelers in mind, and leverage the technology available to ensure that our performance — both in operations and supplier management — was aligned with our business strategy," Barrett said. "And BCD Travel helped us accomplish our goal."



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