

Introduction

Leverage



Compliance



Productivity



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The Traveler Management survival guide

Applying Behavioral Economics
to Influence Decisions

BCD  **travel**

travel smart. achieve more.

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Welcome to BCD Travel's Traveler Management Survival Guide. We are excited to share with you another innovative program that pushes the boundaries of managed travel in a digital economy.

We believe an understanding of behavioral economics is critical for travel buyers and the corporate travel industry. Why? Because the success of every travel program hinges on the ability to manage travelers. And behavioral economics examines the psychology behind how people make buying decisions.

In his book, *Predictably Irrational*, Duke University Professor and behavioral economist Dan Ariely explains how consumers sometimes fail to act as expected - or even in rational ways. People often use subconscious short-cuts that can lead to unwanted buying decisions. So the more you understand about how your travelers think and make decisions, the better you can guide decisions to support the goals of your travel program and company.

Like any new concept, behavioral economics is thought-provoking, but it can also be a bit daunting. This Survival Guide helps you navigate key behavioral economics concepts and links them to the challenges you wrestle with every day. It identifies the hidden forces that shape traveler decisions and provides specific examples you can implement to address - or even eliminate - them. Of course, there's a whole lot more to learn, but these tips should whet your appetite for more.

I hope you'll reference this Survival Guide often and talk to us if you want to explore this further.

Warm regards,

April Bridgeman
Senior Vice President
BCD Travel



Introduction

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Anchor pricing
Status quo bias

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Leveraging Spend Data Anchor pricing

Read our white paper on
Traveler Management



The first price we see, even if arbitrary, becomes our benchmark—or anchor—for how much we should pay in the future.

Description

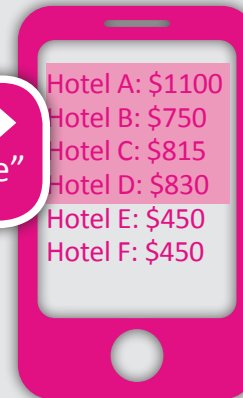
People tend to use the first piece of information they're presented when making decisions. Your travelers will use the anchor you set as the price reference point for all future travel purchases. By setting anchors as program-specific benchmarks from your own spend data, you can guide travelers to purchase options within policy and eliminate comparison shopping on the Internet.

Message at shopping



"No way, too expensive"

Hotel results for 2 nights



Example

Before shopping results appear on screen, present travelers an air and hotel benchmark price your company is willing to spend. Or the price they need to beat. This will help manage their expectations and signal the amount you think reasonable to pay.

For additional reinforcement, prepopulate these same airfare benchmarks, or anchor prices, into expense reports after manager authorization.

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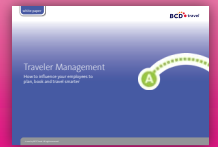
Security



Leveraging Spend Data

Status quo bias (decision by default)

Read our white paper on [Traveler Management](#)



A tendency to do what you've always done. Preferring not to change an established behavior or choosing an option that requires no action.

Description

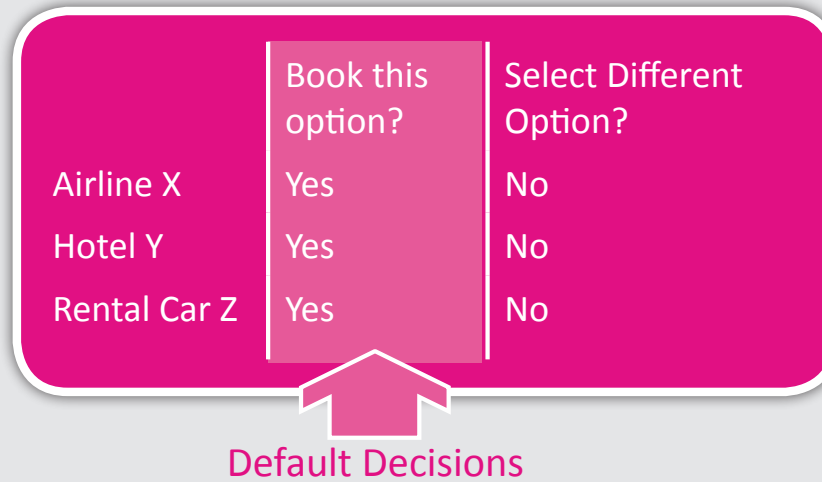
People resist change, or even taking the time to ponder better alternatives. We're lazy decision makers and fail to take proactive action to change things. This means that default options are very powerful forces, especially when choices are complex (like in travel).

Example

Give travelers access to their own data and let them create or pre-select their own personalized defaults for air travel, hotels and more. Keep options within company policy, to those most often used by frequent travelers and based on traveler's preferences.

Rather than requiring supervisor approval for out-of-policy purchases, present on-screen nudges. Let the traveler know which options will introduce added rules and approvals. Build in slower processing, color codes or flashing icons.

Automatically sign up frequent flyers to receive travel alerts in real time, such as flight information, delays and gate changes.



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Improving Program Compliance

Loss aversion

It's more important to people to avoid losses than it is to them to realize gains.

Description

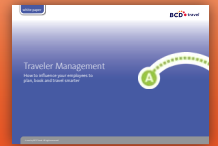
Our aversion to loss is stronger than our attraction to gain. Travelers are much more motivated when they might avoid something undesirable, like a delay, personal expense or inconvenience. That motivation trumps choices that promise savings. This quirky bias affects choices of routes, modes of travel, brands and more. So while it's good to tout the financial savings resulting when employees book in-policy, you'll do even better by focusing on what the traveler stands to lose by acting outside policy.

Do you want to de-select any option?

- Airline A
- Hotel B
- Car rental C

CAUTION: You might lose your preferred option if you de-select Hotel B

Read our white paper on **Traveler Management**



Example

Present air, car and hotel in a bundle and ask travelers to remove the items they don't want. This could help improve attachment rates, reduce hotel non-compliance and lessen complacency in making decisions.

Highlight wasted time spent driving or checking out rental cars that could be spent productively—or enjoyably. This encourages travelers to consider less costly, public transportation.

Dangle the perks, rewards and status travelers will lose by not using preferred suppliers.

Remind travelers of what they stand to lose if they don't reserve all their trip components far enough in advance. They might not get their first choice of room, bed, flight or seat if they don't book well in advance.

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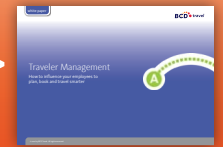


- Loss aversion
- Framing
- Cost of zero
- Decoy pricing
- Hot states



Improving Program Compliance Framing

Read our white paper on [Traveler Management](#)



The way something is presented, such as putting it in a positive light, influences our perception of that choice and can affect our decision.

Description

Consumers, in general, need help making decisions. The greater the array of choices, the more distracted they become. And the more they need references to help compare and establish relative value. Employees may view travel policy as a loss of personal choice. And no one likes losing. So it's critical to frame policy compliance as something rewarding.

Before

- Airline A
- Airline B
- Airline C
- Airline D
- Airline E
- Airline F
- Airline G
- Airline H

Just present in-policy options

After

1. Airline A
2. Airline C
3. Airline F
4. Airline G

see all available options

Example

Frame hotels in the preferred program as offering your travelers a great experience. Post high satisfaction ratings of preferred properties by other travelers.

Paint the big picture for your employees by calculating the true cost to the company of a single traveler's non-compliance. Appeal to universal standards deploring waste. Frame the impact of poor decisions as a loss of resources for the company and the employee's cost center.

Have your CEO publicly recognize travelers who regularly help the company increase compliance.

Include traveler's program compliance in annual reviews.

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Improving Program Compliance

Cost of zero (the power of free)

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“Free” causes travelers to forget the downside of a purchase because it positions something as immensely more valuable than it really is.

Description

People prefer something that’s “free” to something steeply discounted - even when the value of the free item is less than the value of the discount. With hotel compliance, typically the weak link in a travel program, the alluring power of free can be quite compelling. Positioning packaged items within preferred programs as free carries no risk, offers traveler convenience and can be done with very little effort. You can also link the value of an anchor price to free items and features.



Example

Enhance the perceived value of your preferred suppliers by positioning as free the hotel services you want travelers to use. Even when the preferred rate is \$20 more per night, free high-speed Internet access, free extended check in and checkout times, free last room availability or complimentary breakfast will guide travelers to make the right choice at the lowest overall cost.

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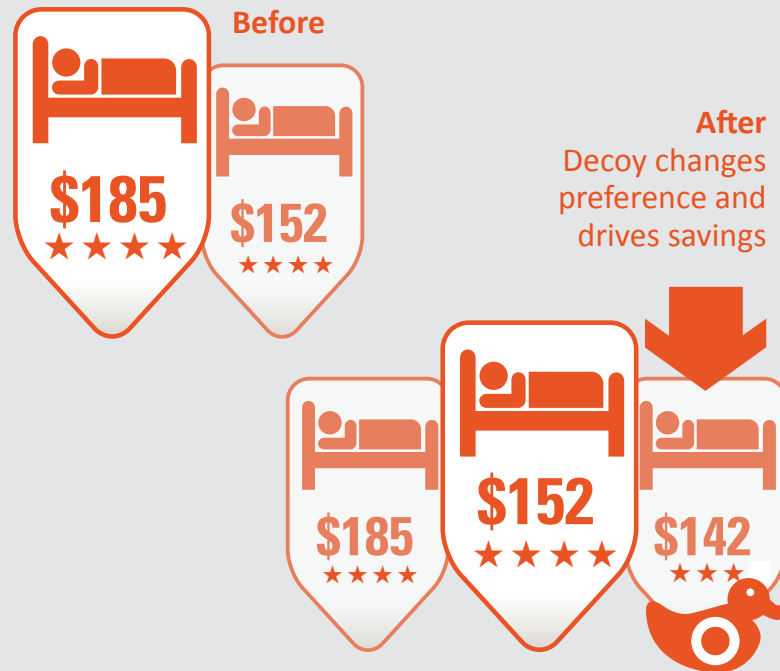
Improving Program Compliance

Decoy pricing

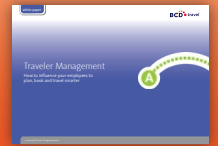
Steers people to change their preference when a third and almost identical option (the decoy) is also presented.

Description

People only know if something is worth more or less by comparison. But it is hard to compare options that are dissimilar. This is why well-intentioned travelers are drawn to the cheapest, spot-buying option. Your preferred agreements and share incentives are invisible to them. A decoy price positions the in-policy option as the best relative option.



Read our white paper on [Traveler Management](#)



Example

When presenting hotel options, provide travelers with three similar choices in the same city:

- (1) A high-priced, 4-star upscale hotel
- (2) A mid-priced, 4-star upscale hotel
- (3) A low-priced, 3-star midscale hotel (the decoy)

The majority of travelers will select Option 2

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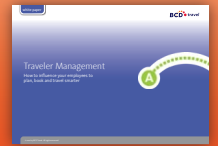


Security



Improving Program Compliance Hot states

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Traveler Management



Emotions affect our decision making. Decisions made under stress or in “hot” states are more irrational and very different than those made in advance or in “cold” states.

Description

People grossly underestimate how they will react in stressful, urgent or time-sensitive situations. This explains the higher level of spending associated with business travelers’ last minute arrangements vs. those planned in advance.

Cold state

TRIP CONFIRMATION:

3-star Hotel booked **21 days** in advance
Preferred rate: **\$189/night**

Hot state

TRIP CONFIRMATION:

3-star Hotel booked **2 days** in advance
Preferred rate: **\$249/night**

“I shouldn’t have waited
until the last minute!”

Example

Automatically present hotel options during trip planning and require that hotel reservation be made immediately after air travel is purchased (for multi-day travel only).

Present only in-policy options to those traveling within 24-48 hours of making their reservations.

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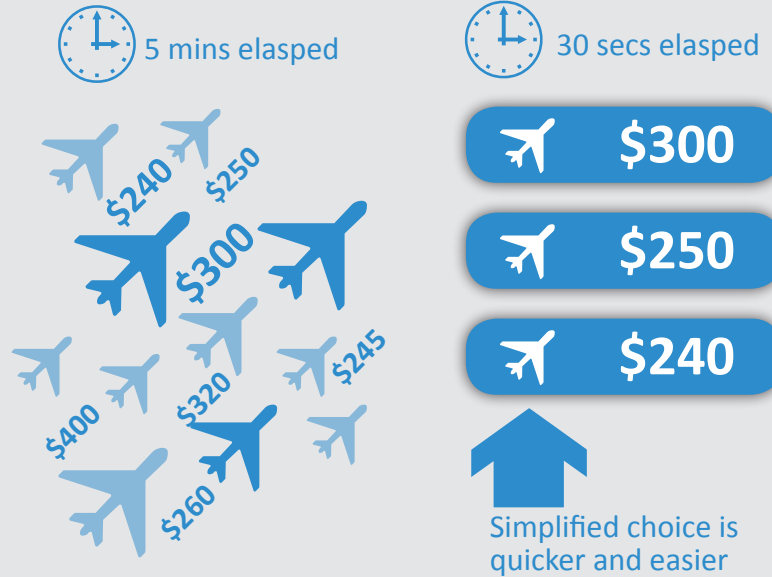


Boosting Productivity Stopping rule

People tend to make quick decisions based on fewer, prioritized choices rather than wasting time deliberating many choices where no one option appears clearly superior.

Description

Giving travelers choices can be empowering. Providing too many options can lead to feeling helpless and incompetent— especially for complex purchases like travel. Overwhelmed, travelers will opt to do nothing or revert to the same choices (or mistakes) of the past. By limiting choices to fewer more distinct options, travelers can quickly assess which choice is best.



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Traveler Management >



Example

By default, display a few hotel options that are all in-policy, unique and most likely to be chosen. The short list ranks the best options based on past purchase behavior, traveler preferences and top ratings (or comments) by fellow road warriors.

This same shortcut can be used to quickly compare multi-modal travel, rental car options, restaurants etc.

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Boosting Productivity

Procrastination and Self-Control

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The tendency to procrastinate and put off decisions.

Description

People tend to put off accomplishing their goals when distracted by immediate gratification. But with proper motivators people are more willing to meet deadlines and goals. Travel programs already impose consequences for out-of-policy purchases and processes but do little to remind travelers or provide tools that help travelers remember critical procedures.

ALERT: Book early to avoid manager approval

Mon	Tue	Wed	Thur	Fri	Sat	Sun
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	< Trip to Lima				

Example

Once air travel is booked, use text messages to notify travelers of booking deadlines for hotel, rental car, and parking. Provide a link for easy access to complete the booking.

Offer virtual payment capabilities that authorize and pre-pay the room rate at time of booking. This requires travelers to pay on premises for additional hotel services, like early check-in and late checkout.

Remind travelers with refundable tickets of upcoming trips. Confirm the need to still travel on designated dates and provide travel alternatives for new dates. This approach could also be used for capturing receipts, submitting expense reports and reimbursing corporate card expenses.

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Improving Traveler Experience

Experience endpoints

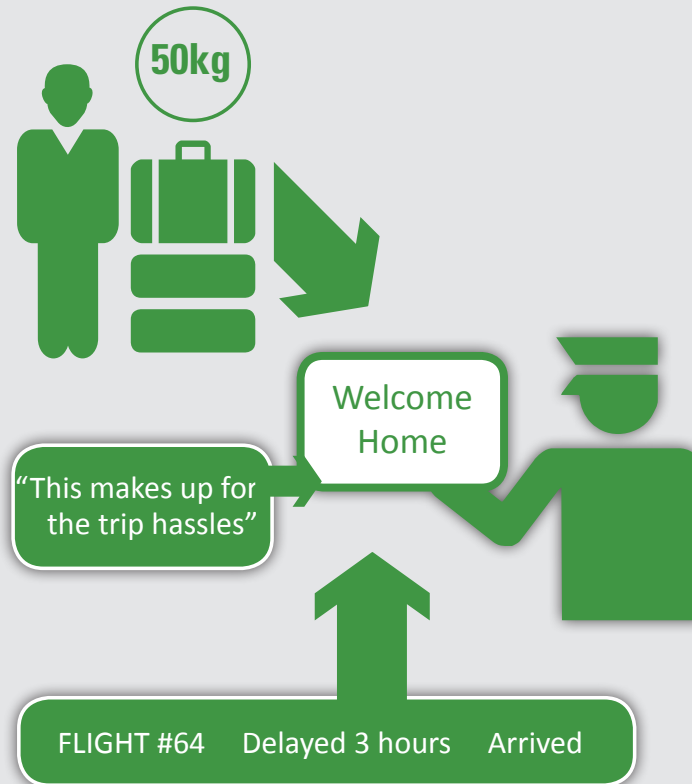
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Traveler Management >



People remember best what they experience last.

Description

People remember the end of an experience more than the middle. A lousy flight that ends on a high note will be remembered as a good flight. Linking a future trip with a successful past trip empowers travelers to design their next travel experience with the end in mind.



Example

Pre-arrange for travelers to be transported from the airport to home to make them feel taken care of. End the trip with a positive experience.

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Improving Traveler Experience Priming

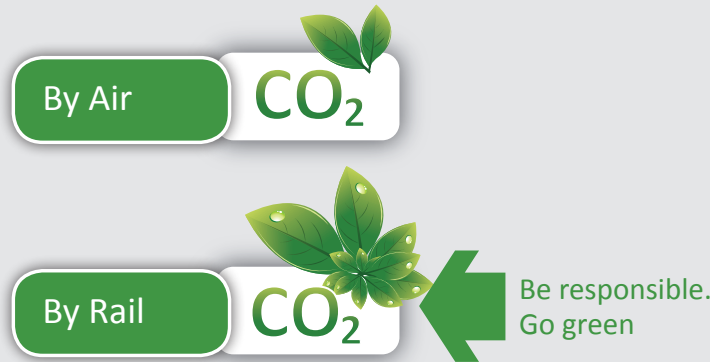
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Traveler Management >



Intervening or interrupting the decision process at critical moments — even with seemingly irrelevant information — can steer behavior.

Description

People’s decisions are affected by what’s on their mind when they make decisions. Travelers exposed to ideas about fiscal or environmental responsibility at strategic times during the purchase process and trip will be less likely to spend or travel irresponsibly while away on business.



Example

In more environmentally conscious companies/cultures, indicate “greener” flights during the research process and use of electronic boarding passes at online check-in.

Leverage your travel mobile app to communicate just-in-time reminders. Do this for required air travel documentation at booking, preferred airport parking suppliers before day of departure, and complimentary inflight services and preferred ground transportation on day of departure.

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Endowment & IKEA effect

Bandwagon effect

Generalizing/Induction problem

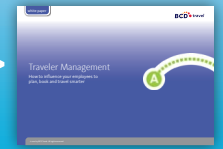
Relative positioning

Security



Socializing the Travel Program Endowment & IKEA effect

Read our white paper on
Traveler Management >



If you help build something, you are invested in its success, appreciate it more and think about it more.

Description

Coined for furniture that requires self-assembly, people who invest significant time/effort in something tend to overvalue it and find deeper enjoyment and value from it. Travelers want to be responsible for their own itinerary to prove they can do it.

Your seat



Your car



Your choices saved 2.5 hours
of planning time and the
company 35% in costs

Example

Give travelers the opportunity to be responsible for their own travel itinerary by providing them with door-to-door planning capabilities like RouteRank. Highlight various in-policy, multi-modal options (air, rail, own car, etc.) which can be filtered by CO₂ emissions, travel time, productivity and more.

Use pictures, video and augmented reality during booking to enable travelers to visualize the travel components they have chosen. For example, "your seat" on seat maps, "your car" from the designate rental car class.

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Endowment & IKEA effect

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Socializing the Travel Program Bandwagon effect

Follow the crowd when making choices because of our desire to fit in.

Description

Coined for furniture that requires self-assembly, people who invest significant time/effort in something tend to overvalue it and find deeper enjoyment and value from it. Travelers want to be responsible for their own itinerary to prove they can do it.

From: **Travel Manager**
Subject: **Get on the Bandwagon**

80% have already switched to using public transportation in New York City. When are you going to join them?

Example

Communicate to your travelers that 80% have already switched to using public transportation in London to encourage the remaining 20% to switch as well.

Encourage travelers to make public personal commitments to help increase compliance.

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Traveler Management >





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Endowment & IKEA effect

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Socializing the Travel Program

Generalizing/Induction problem

People tend to trust the results from a small sample as much as those from a large sample.

Description

People tend to draw inferences from others to their own behavior. This is dangerous when sample sizes are small and can lead to erroneous conclusions. Less seasoned business travelers will fall prey to making generalizations and may need to be periodically educated about the program.



Example

Indicate the number of fellow employees who have stayed at/used a brand and their average rating for the brand.

Indicate brands/properties that tend to be better suited for leisure vs. business travel.



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Endowment & IKEA effect

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Socializing the Travel Program

Relative positioning

We rely on and seek to draw comparisons with others because it's hard to evaluate things in absolute terms.

Description

Making comparisons is human nature, but judging everything only through comparisons is not enough. We want to belong to the crowd but at the same time strive to be better than others. Travelers are motivated not by year-over-year efficiencies and savings, but by performance relative to their peers.



Example

Create a leaderboard that allows travelers to rack up points for the right behavior. For example, use an online booking tool, advanced purchases and hotel with air bookings. Let travelers gauge how they are doing vs. other travelers.

Use game based programs with incentives directed at peer groups (e.g., by department or division).

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Optimism bias

Recognition bias

Ensuring Traveler Safety & Security

Optimism bias

People tend to overestimate the chances that something good will happen to them and underestimate the probability that something bad will happen.

Description

We believe that we are better at everything we do than others and that we will overcome obstacles no matter what. While a positive outlook is healthy, the downside of always believing that we will succeed is that we are more likely to engage in risky behavior (non-compliance). This is because excessive optimism changes our objectivity. Travelers think that rules don't pertain to them or that it is important for the "other guy" to follow. This distortion of reality can hurt your travel program and your company's bottom line.

Before

THE NEWS

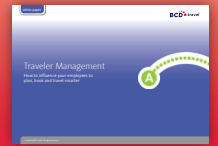
SME Struggling to Evacuate Travelers from Crisis Zone

After

THE NEWS

SME Wins Best Practice Award for Proactive Travel Risk Management

Read our white paper on **Traveler Management**



Example

Reinforce risk factors and lost reimbursement associated with purchasing in non-preferred channels where itinerary information is not available to your company or TMC.

Help travelers to take preventive measures for safe travel.

Encourage travelers to experience the outcome of non-compliance by drawing comparisons between them and other (unnamed) offenders.

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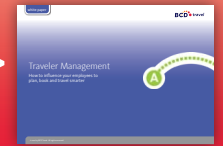


Optimism bias

Recognition bias

Ensuring Traveler Safety & Security Recognition bias

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Traveler Management



If we're unsure what decision is best, we tend to go for the choice that's most familiar to us.

Description

People rely on the brands, channels and products with which they are most familiar. This simplifies and quickens the decision process. In the absence of direction, travelers will use the websites and tools that earn the greatest travel rewards.

Trip 1 Airline A
 Trip 2 Airline B
 Trip 3 Airline B
 Trip 4 Airline B
 Trip 5 Airline E



Trip 6 Airline B

Example

Remind infrequent travelers which brands they last or recently chose. Let them know which ones earned above-average satisfaction scores. If you don't have past travel data, let travelers know which brands and suppliers your frequent travelers prefer.

Intervene to prevent business travelers from automatically using websites, tools and brands they're familiar with for leisure travel purchases. Frequently remind them of preferred booking channels and suppliers.

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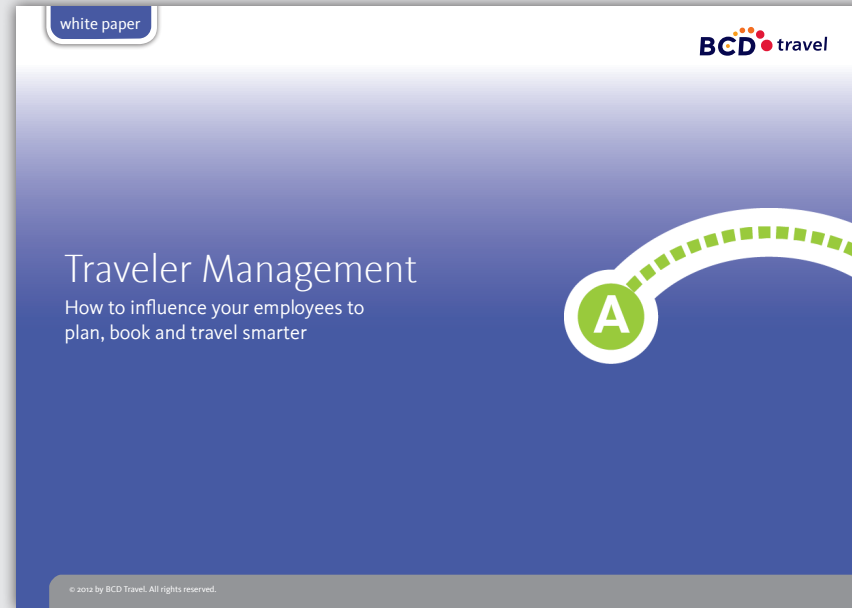
Social



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Want to learn more?



A company's supplier deals are vital for controlling travel costs. But arguably the company's relationship with its own travelers is even more important, not only for saving money but also for boosting productivity and keeping people safe. We call this relationship traveler management, and how to improve it is the subject of this white paper.

To download our latest whitepaper on this topic, please go to:

www.bcdtravel.com/go/id/bmk/

