Use a TMC or Go it Alone?

When it comes to business travel, many companies contract with third-party travel management companies, or TMCs, to handle everything from employee reservations to travel emergencies.

In recent years, however, there has been a small but growing trend by some companies to try to drive cost efficiency by bringing this function in house. We'll look at some of the pros and cons of utilizing an established TMC or establishing your own in-house corporate travel department.

Partnering with a TMC

There can be many pros to using an established third party TMC:

--Most have negotiated savings with top travel vendors as well as strategic partnerships that offer special discounts, unlisted promotional offers and special pricing on flights, hotels and car rentals.

--Good TMCs are staffed by professional travel agents who can book complicated multi-destination itineraries, provide round-the-clock service and provide the ability to make on-the-fly changes.

--Most TMCs offer online booking tools that employees can access 24 hours a day to book travel on their own using the TMC's preferred providers.

--TMCs generally also offer services that show comprehensive snapshots of travel spend, allowing companies to make better travel-spend decisions.

--TMCs can help companies establish travel policies that protect both the traveler and the company.

To be or not to be a CTD

There are also many pros to going it on your own if your company is large enough to support the creation of an in-house travel department.

One key area to look at is commission reimbursement. Hotel commissions are the biggest source of corporate reimbursement from TMCs. But because TMCs are often paid through master accounts from hotels, it can be difficult for the TMC to track how much each of their corporate clients is owed. And while many TMCs pass back some or all of the commissions paid on bookings by a corporate client's employees, commission structures are changing. For instance, some hotels now pay TMCs marketing fees rather than commissions, meaning that in some cases there are no commissions going back to the client.

But in-house corporate travel departments, or CTDs, are not for everyone. Establishing a CTD can be complicated. It usually means creating a whole new department and hiring accredited travel agents to gain the proper air and hotel commissions and discounts. And to maximize their savings they need the right tools to track and collect commissions owed.

A key to making an in-house CTD profitable is finding a technology partner that can offer the hotel commission collection, reconciliation and analytic capabilities.

For instance, one large global aircraft manufacturer and defense contractor provides a case study for how significant the savings can be with the right partner using advanced technology.

Recovery Rate Jumped to 98%

Its technology partner, Onyx CenterSource™, provides commission consolidation services with its Sure Pay™ and RecoverPro™ solutions. After leveraging those solutions, the aircraft company reported its commission recovery rate jumped to 98 percent from 63 percent previously. The company also reduced operating costs by 76 percent and lowered bank charges using the Sure Pay system, which reduces conversion fees by bundling multiple payments into one transfer, dispersing them in the currency of the client's choice.

Onyx CenterSource also offers business intelligence through a reporting portal and client-focused analytic services that provide CTDs with easy-to-access summaries that span the entire booking, confirmation and payment process, giving them the information they need to track employee travel and spending habits and to negotiate the best rates with their hotel suppliers.

Again, creating an in-house CTD is not for everyone. But if you going to do it, having the right partner and the right technology can be critical to doing it right.