

# Change Your Own Oil?



## Profile

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**By Alan H. Hess**

**N**ew company policy: Employees are expected to change the motor oil in their company cars personally, in order to save money. With the cost of oil changes at quick lube establishments reaching nearly \$35, you can save the company nearly \$20 by climbing under the car yourself. You will be reimbursed for the cost of materials up to \$15; unfortunately, we are no longer able to cover the cost of snagged nylons. Be sure to clean grease and dirt from under fingernails before calling on customers.

Well, maybe not... In the chaotic new world of business, everything is up for grabs, including who should book travel and how management keeps a handle on it all.

The current confusion in business travel comes primarily because of:

- Unprecedented access for consumers to information about every aspect of travel
- New channels for buying travel
- Airlines suffering serious financial distress
- Tough economic times for companies, forcing additional scrutiny of all costs

Ten years ago, only 12 percent of travelers booked their travel directly with the airlines—even fewer than those changing their own oil. As of 2002, 45 percent of air travel was booked directly with the airlines or through Internet purchase options.

It's all kind of new, and few companies are effectively managing these new capabilities. Though travelers know more than before, companies have a new problem: employees spending lots of time tinkering with their travel on the computer.

Well what about it? Should business travelers use a travel agency or not?

There is, after all, a cost associated with using a travel agent. It is clear that no business can operate without revenue, and travel agencies are no exception. In the old days, almost all travel agency compensation came from airlines. All of that changed when airlines stopped paying commissions.

The illusion is that consumers have a choice between (1) paying a fee to a travel agency and (2) somehow getting the service for free. The truth is that there is a cost associated with managing travel. With a travel agency, the cost is clearly stated. However, the cost to companies handling travel internally can be subtle.

Companies considering self-administered travel programs should consider the following:

- Travel is a big expense-the second or third largest for many companies, and deserves management attention at least on a par with other aspects of the core business.
- Managing travel is not a no-brainer. Airline fares are a product of the most complicated pricing models in the world, and finding real value can be tricky. What seems like the lowest price may not be as low as it appears.
- Effective management control is almost impossible for companies when travelers book their own travel on the Internet. Travelers have been known to spend additional company money just to get frequent flyer miles or purposely wait to book a flight until the only class of service available is an expensive one that can be upgraded. Without oversight, companies lose control of how their money is spent.

Do travel agencies effectively represent their customers? In simplest terms, companies want the lowest price, and airlines want highest revenue. Both will not get their wish. The mission of airline yield management is to extract as much money from customers as circumstances will allow. The model is something like this: the less you need to go, the cheaper the ticket; the more you have to go, the more expensive the ticket.

In the days when airlines provided sole travel agent compensation, it was easier to determine whom the travel agent represented and whether a conflict of interest existed. Even then, there was always strong motivation for travel agents to find the best deals to cement customer loyalty. Under the new model, travel agents charge fees to customers for services performed. Good performance is rewarded by loyalty.

In the final analysis, the invisible hand of the marketplace decides the value of travel agents. It's really very simple: If the value is there, customers will pay for the service. If not, they may change their own oil. ■

Founded in 1985, Hess Corporate Travel is a leading travel management consulting and advisory firm specializing in business travel operations. Based in Bountiful, Utah, Hess Corporate Travel integrates advanced technological tools, a partnering attitude and personalized service to deliver consistent results. A representative of American Express Travel Services, offering worldwide strength, Hess Corporate Travel is privately held and is affiliated with Travel Agency Management Services, an exclusive industry organization. For more information call **800-882-8028** or visit [www.hesstravel.com](http://www.hesstravel.com).