

The TCO Approach for Travel,
Meetings, Payment and Expense

What It Is and Why It Matters

TCG Consulting

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Halfway through a kick-off workshop with a global company who had recently sought out TCG Consulting to implement a consistent strategy in their travel program, it suddenly hit them: they had achieved maturity, and finding innovation and ways to manage the category had alluded them. They needed more, and TCO made sense.

Simply discussing our client's travel program with the travel and procurement team wasn't enough. So, our client brought in their finance team, followed by the IT, security, strategy and risk teams. Finally, treasury leaders joined as well.

The purpose that united us all? It was leveraging a TCO approach for their Travel, Meetings, Payment and Expense (TCO-TMPE®) program.

Together, we built out an end-to-end workflow that encompassed everything from planning through the actual lifecycle to reimbursement and closeout.

Our client was well on their way to gaining visibility into hidden costs, increasing spend under management, and addressing their program maturity. Now, they wouldn't go another year of realizing diminishing returns.

What Is TCO?

TCO stands for the Total Cost of Ownership (TCO).

When employed for a travel program, this strategic approach looks at the entire travel ecosystem and value chain – including payment systems, workflows, transaction processes, bypass spend, and other elements.

Why Is a TCO Approach Needed?

Most organizations focus their time and resources on reducing costs in areas with the lowest opportunity. TCO was initiated in the 1980s in logistics. TCG Consulting has brought this concept to the travel program and has integrated it with meetings, payment, and expense management.

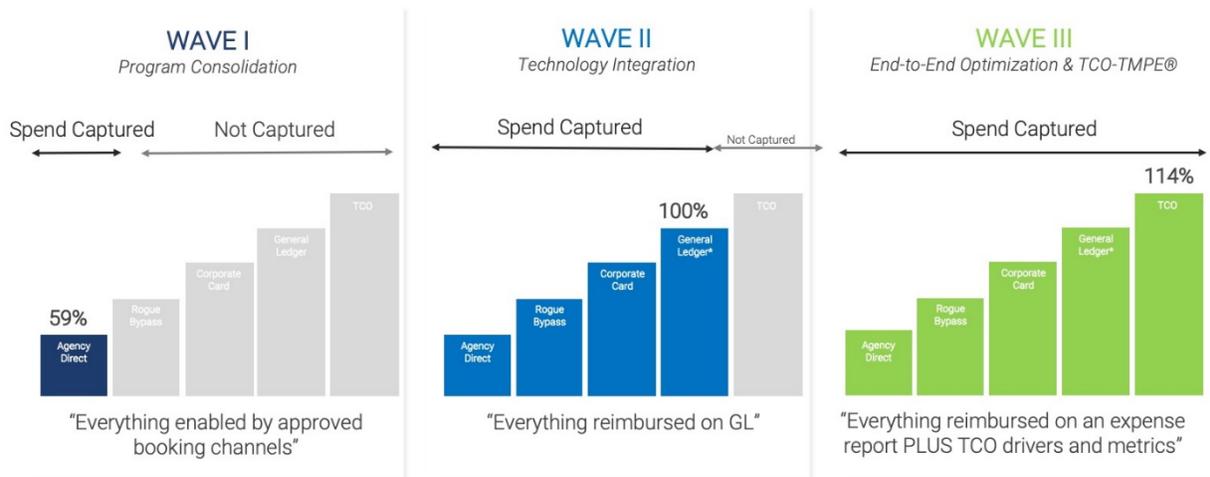
However, areas that have a greater potential to impact the bottom line – such as program bypass, broader payment, workflow and areas that are not on an expense report (i.e., the cost of the Travel Manager or an audit) – are taken for granted or ignored completely.

From expense processing workflows to program management, many of these hidden expenditures fall within budgets not traditionally controlled by T&E owners. On average, 14% of a travel program’s TCO is hidden and can range from 8% to 23% of TCO. In some cases, this number is even higher.

Taking a TCO approach addresses this challenge.

Uncovering and quantifying these not-so-obvious costs has enabled TCG Consulting to help its corporate clients capture and manage 114% of total travel costs on average. This is in contrast with the traditional direct spend approach, which captures only 59%, and in some instances 100%.

TCO-TMPE® Model and Approach



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Who Needs TCO-TMPE®?

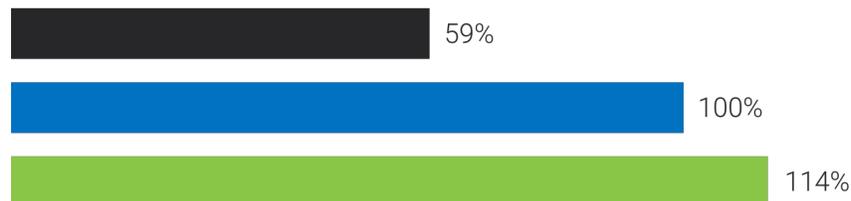
For TCG Consulting, our clients who have integrated programs have realized that the TCO-TMPE® works for them.

However, we recognize this approach is especially beneficial when improving program performance begins to hit a wall. Organizational challenges may include...

- Being pushed to further reduce program costs—but traditional sourcing methods are delivering diminishing returns
- Addressing broad stakeholders—including travelers and providing them the services they need

- Finding it increasingly difficult to deliver new sources of external innovation to help optimize programs
- Experiencing fragmented data and reporting that shows vastly different program spend amounts
- Lacking integration between travel, meetings, payment and expense platforms, which creates low program user acceptance and process inefficiencies

How much of your organization's T&E are you currently capturing and managing?



How Can TCO-TMPE® Empower Your Organization?

The benefits of implementing a TCO-TMPE® approach are multifaceted. Below are some of the positive outcomes this approach achieves for your organization's travel program.

Visibility and Control Over Travel Costs

When your organization relies on a TCO approach, your team can aim for best-in-class performance and begin to identify, capture, and leverage the true costs of managing travel. Cost reductions of up to 25% are being achieved by world-class leaders adopting an integrated TCO approach.

Organizations can go beyond the traditional direct spend currently captured by approved travel agencies—increasing spend under management and improving program maturity.

Companies are also empowered to uncover—and control—hidden costs that lie outside the expense report and reduce margins. These costs can be embedded in disparate budgets across the organization and encompass...

- Internal travel and support staff
- Reconciliation costs and processes
- Approvals and workflows
- Agency and related fees
- Supplier management and compliance
- Program management
- Reimbursement
- Technology



- Treasury
- Audit
- And more

Address Program Bypass

Leveraging a TCO approach for your travel program will capture—and address—direct bypass spend not booked or tracked by an agency.

With a TCO approach, organizational leaders can guide employee behaviors to drive a higher portion of total spend through the system. Instead of chasing compliance, leaders create a program structure to encourage high levels of user acceptance.

It's a win-win for the organization and its employees.

Support for Strategic Imperatives

A TCO approach supports moving from tactical to instead aligning with an organization's strategic imperatives. Travel now has a seat at the table, far beyond just the handoff of an itinerary to a traveler or driving incremental savings.

For instance, the TCO approach focuses on improving the travel experience to better travel program acceptance. In turn, this supports important initiatives such as employee retention, compliance with corporate policies, and reduced risk.

Stakeholder Involvement

Following a TCO approach allows leaders to create a travel program that engages and supports a variety of stakeholders. We saw this broad stakeholder involvement firsthand while working with one of our clients—a west coast global tech firm.

This client desired to strengthen their travel program account compliance. However, once they understood the TCO approach, they actually brought in over 40 people to a meeting. From HR and Finance to IT and Operations, representatives from 14 areas of the company were in attendance.

Implementing the TCO Approach for Your Organization

When it comes to travel programs, the TCO approach is quickly gaining acceptance—and it isn't only for the Fortune 500. Companies with smaller spend have accepted and adopted a TCO approach. On average, 1.6% of a company's revenues are T&E. TCO-TMPE® drives it even higher. In fact, most travel consultants are not familiar with the hidden costs of travel and do not have a strategy to capture and reduce less obvious expenditures.

Are you ready to experience increased visibility, reduced costs, and improved strategic alignment? [Contact Us Today!](#)





Credit: This article utilizes content from a joint publication between TCG Consulting and Mastercard entitled Total Cost of Ownership Approach Can Optimize Corporate Travel.

