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Managing The CFO Who Wants To Cut Travel

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Perspectives gained at:

Travel Analytics

Kearney

ARC

TRX

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Where We're Headed Today

Five steps for managing CFOs who want to cut travel

1. Build some CFO-friendly exhibits
2. Sell disciplined decisions and strategic insights
3. Show the benefits of higher prices
4. Lay out the new implications
5. Lead the witness

Calculate any trip's ROI (Return On Investment)

Pop quiz - Which trip types have the higher ROI?



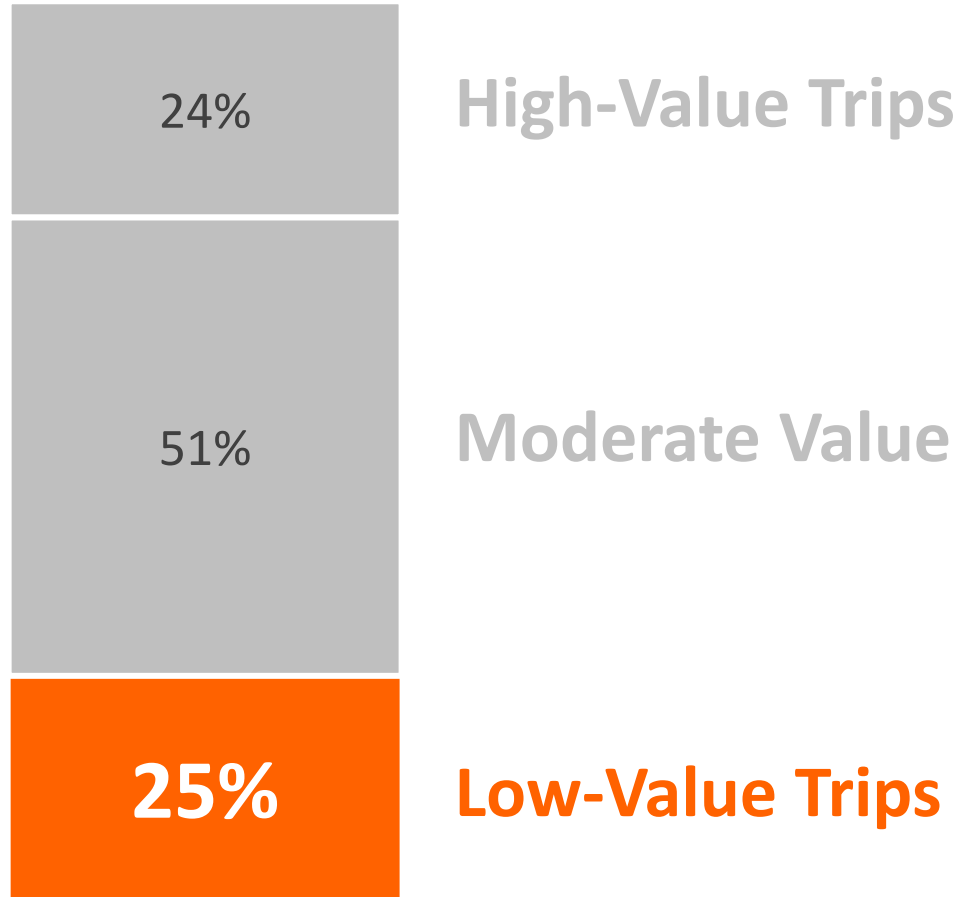
Why do CFOs
cut travel
budgets?



Because it's easy.
Why?

Highly visible,
non-essential,
uncommitted,
with vague value.

25% to 30% of business trips are low-value.

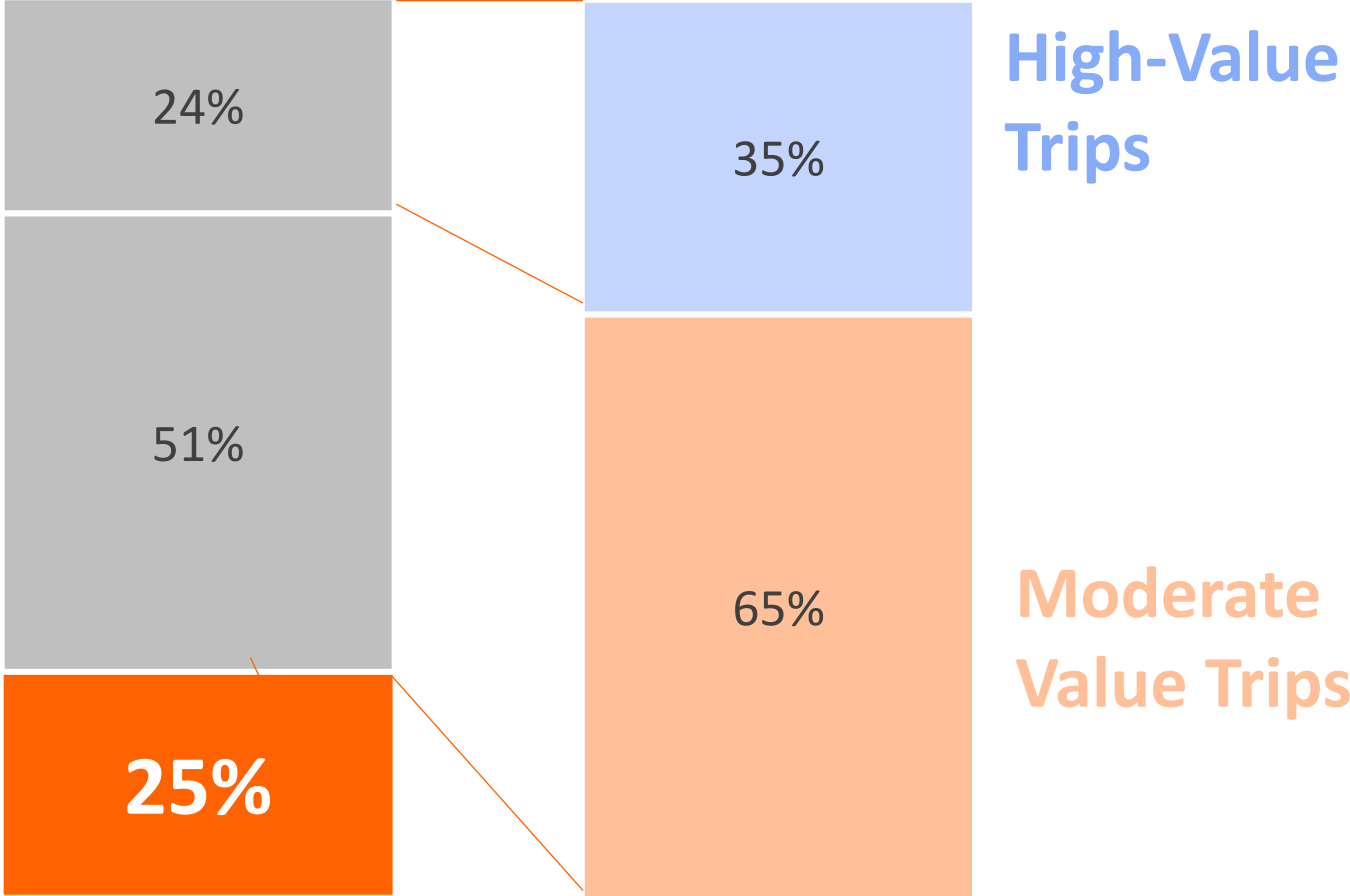


**Less spend,
more savings,
fewer emissions.**

100% = 407 US-based Business Trips

Source: tClara. (2023). *The Justified Business Trip* [White paper].

CFOs could re-invest the savings in higher-value trips.



**Same spend,
now with a
higher ROI.**

ROI Return On Investment

Source: tClara. (2023). *The Justified Business Trip* [White paper].

Five Steps To Managing The CFO Who Wants to Cut Travel



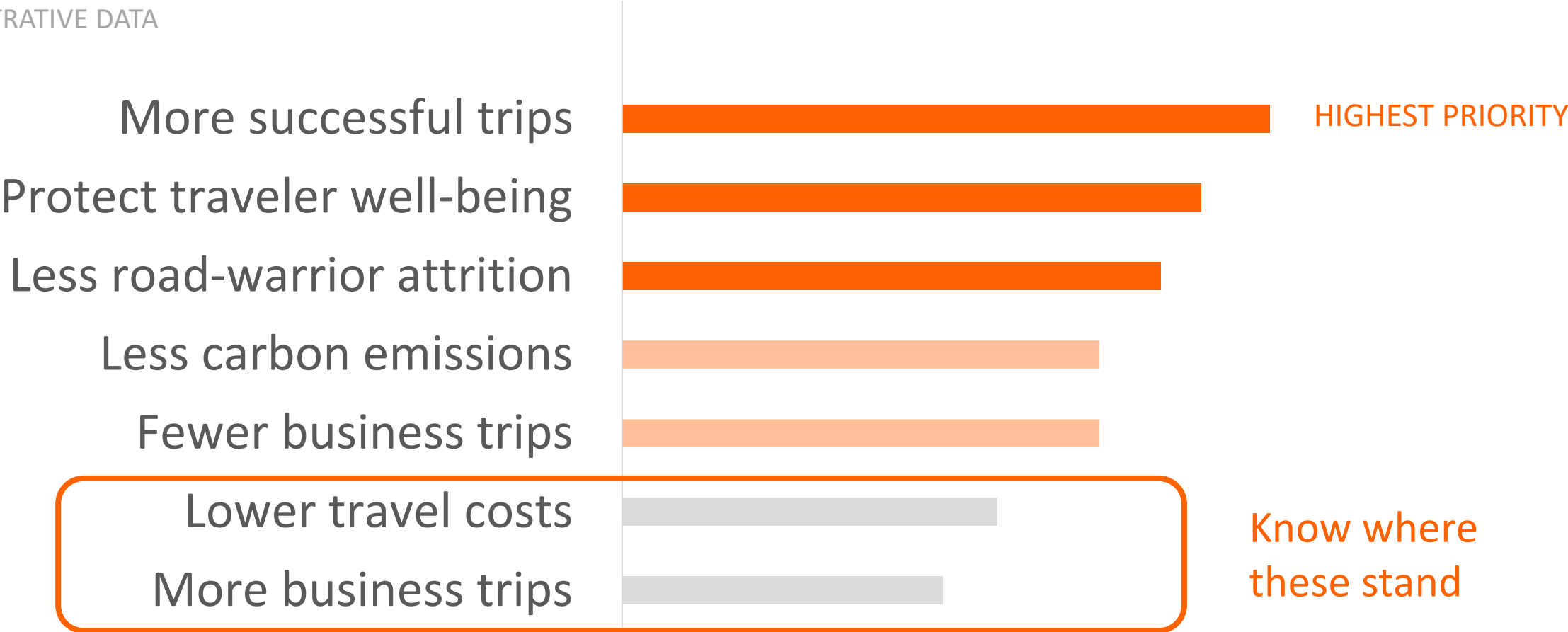
STEP 1 Build these five CFO-friendly exhibits

- A. Executives' travel priorities
- B. Travel budget insights
- C. Travel spend by business goal
- D. Travel ROI benchmarks
- E. Size of the prize



Exhibit A: Our Executives' Travel Priorities

ILLUSTRATIVE DATA



See tClara. (2022). *How We Meet Matters*, Fig. 19. [White paper].

Exhibit B: Travel Budget Insights From Our Execs

“Imagine that you had to **cut your entire budget by 20%**. How would this affect your **travel budget?**”

“48% of managers would protect their travel budgets.”

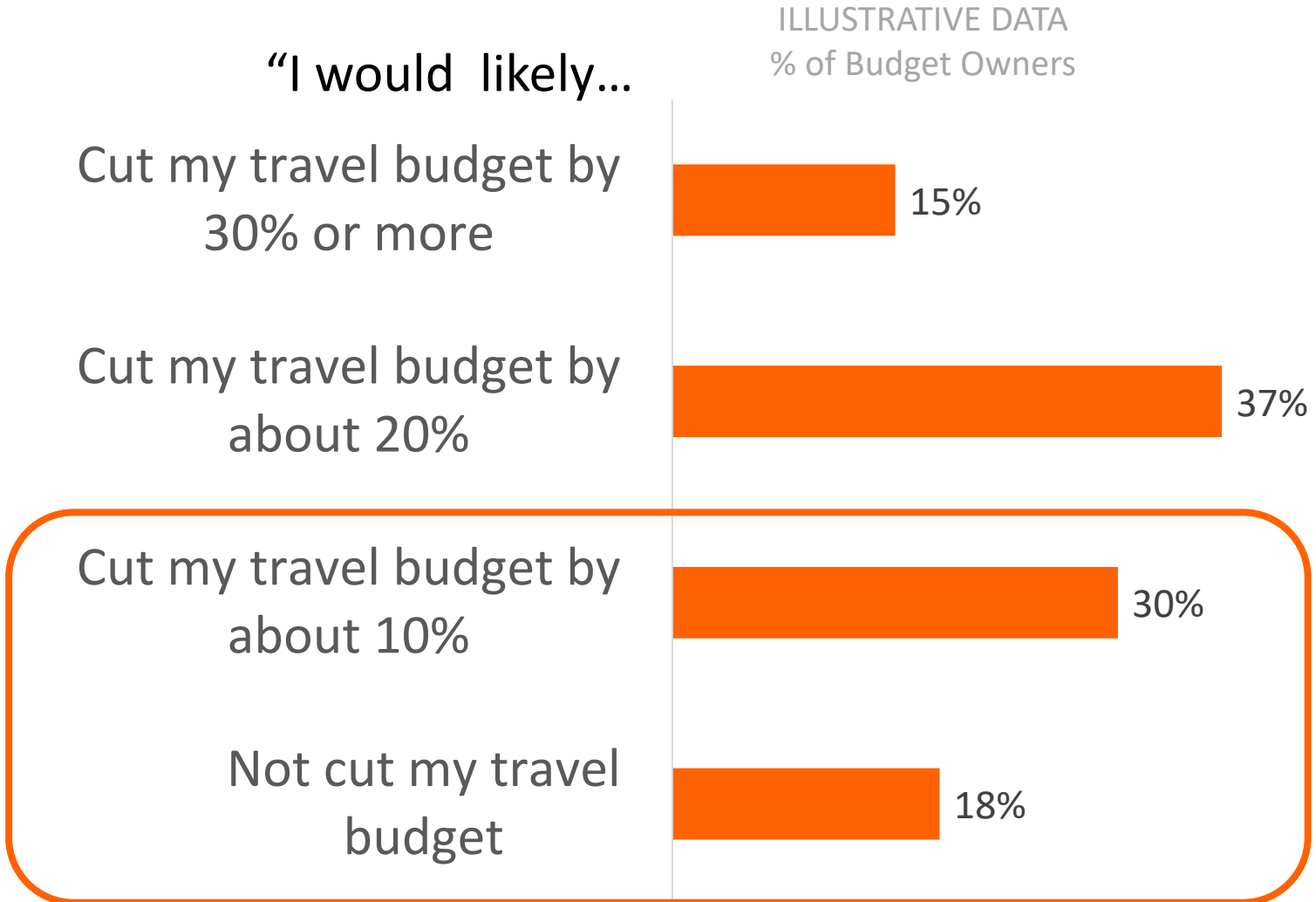
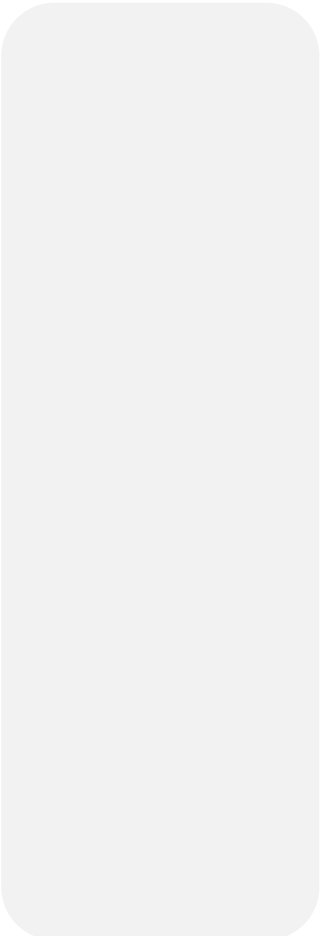


Exhibit C: Our Travel Spend by Business Goal

ILLUSTRATIVE DATA

BUSINESS GOAL	Spend
Win revenue	27%
Earn customer trust	21%
Improve our workforce	18%
Strengthen our supply chains	11%
Control costs or risks	9%
Upgrade our technology	7%
Invest in innovation	4%
Other	3%
	100%



“How might you want to allocate our travel spend differently?”

Exhibit C: Our Travel Spend by Business Goal

ILLUSTRATIVE DATA

BUSINESS GOAL	Spend	ROI
Win revenue	27%	550%
Earn customer trust	21%	430%
Improve our workforce	18%	120%
Strengthen our supply chains	11%	170%
Control costs or risks	9%	90%
Upgrade our technology	7%	240%
Invest in innovation	4%	470%
Other	3%	380%
	100%	330%

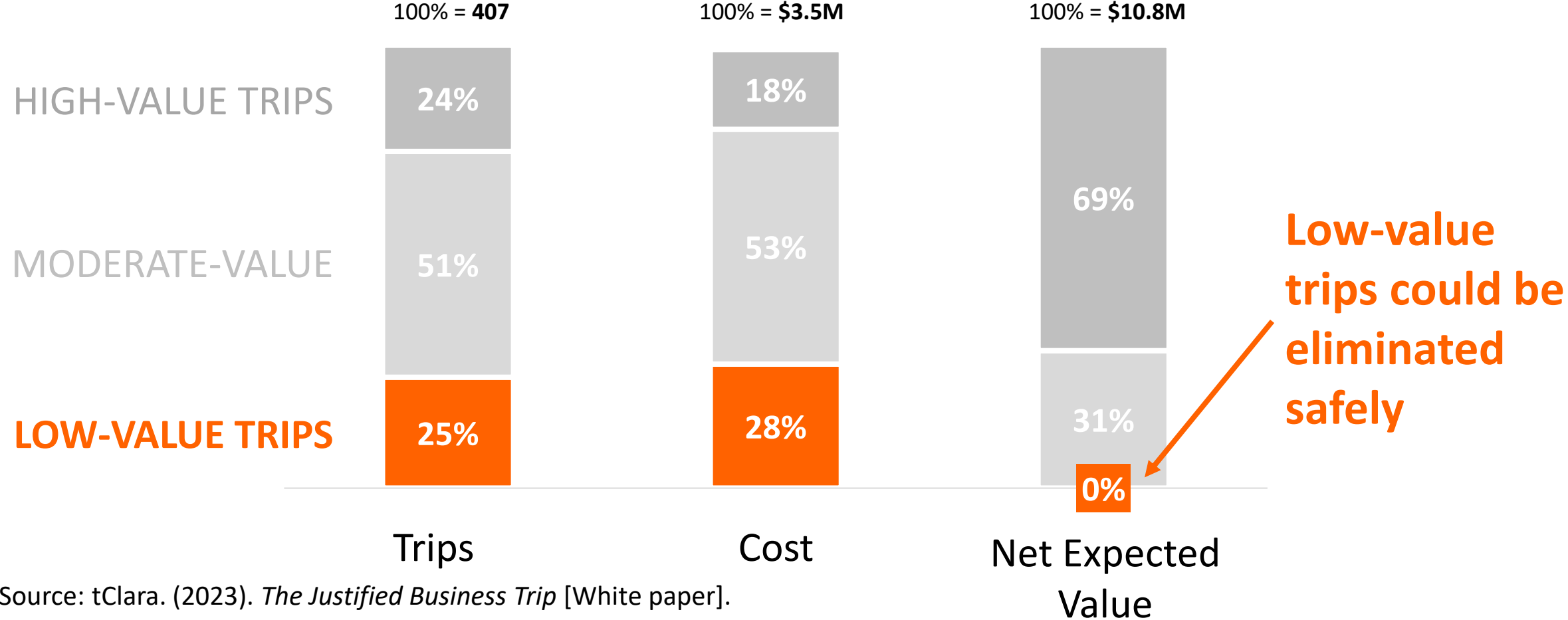
“Would it help to know the average ROI on each goal’s travel spend?”

Exhibit D: Travel ROI Benchmarks for Context

Percentile	Trip's ROI	
90%	684%	
75%	390%	Top quartile of trips has an ROI of 390% or higher
60%	248%	
50%	174%	
40%	136%	
25%	56%	Bottom quartile of trips has an ROI of 56% or lower
10%	-20%	

Source: tClara’s analysis of 407 US-based business trips taken in the last half of 2022.
See also: tClara. (2023). *The Justified Business Trip* [White paper].

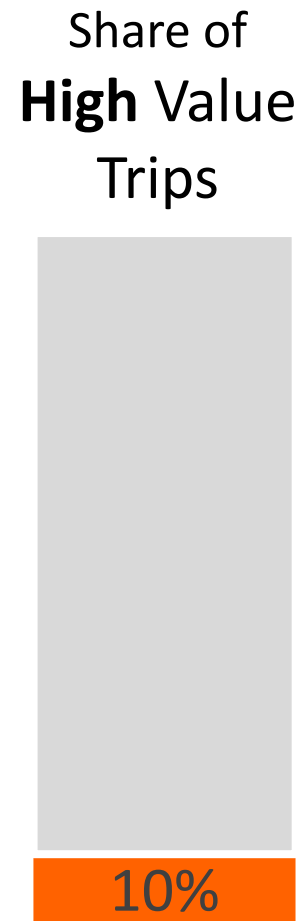
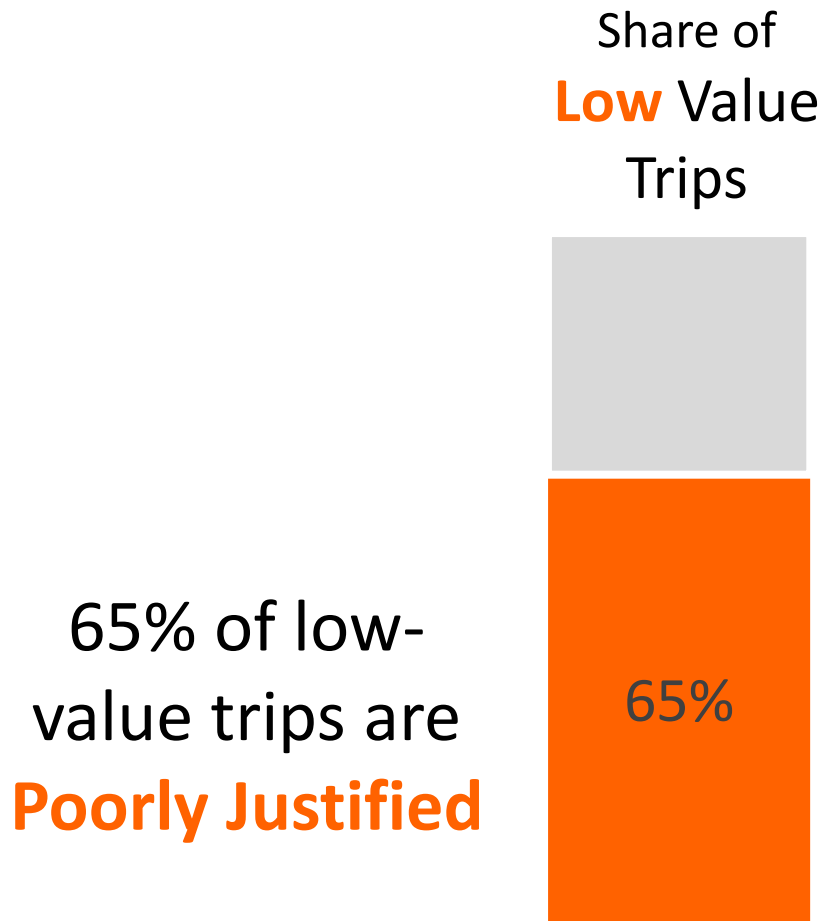
Exhibit E: Show the size of the prize



Source: tClara. (2023). *The Justified Business Trip* [White paper].

STEP 2
Sell disciplined
travel decisions
and strategic insights





Poorly justified trips are an indicator of low-value trips

Source: tClara. (2023). *The Justified Business Trip* [White paper].

Introduce modern travel demand management.

REQUIRE PRE-TRIP ASSESSMENTS

What's the business goal?

How justified is this trip?

What's the trip's expected ROI %?



Predict low-value trips.

REQUIRE POST-TRIP ASSESSMENTS

How valuable was the trip?

Could it have been done virtually?

What now is the trip's expected ROI %?



Improve the prediction model.

Track three KPIs for each business goal.

BUSINESS GOAL	Share of Spend	Low Value Trips	Avg. Trip ROI
Win revenue	26%	12%	680%
Earn customer trust	21%	16%	330%
Strengthen our supply chains	14%	34%	110%
Improve our workforce	10%	33%	90%
Gain operational excellence	8%	27%	110%
Control costs or risks	8%	36%	70%
Deliver innovation	4%	10%	450%
Upgrade our technology	2%	8%	340%
Advance my company's mission	2%	5%	410%
Shape our company's future	2%	8%	150%
Other goal	3%	20%	200%

ILLUSTRATIVE DATA

Then re-allocate travel spend strategically.

BUSINESS GOAL

Share of Spend

Low Value Trips

Pre-Trip ROI

ILLUSTRATIVE DATA

Win revenue

26%

12%

680%

Earn customer trust

21%

16%

330%

Strengthen our supply chains

14%

34%

110%

Improve our workforce

10%

33%

90%

Gain operational excellence

8%

27%

110%

Control costs or risks

8%

36%

70%

Deliver innovation

4%

10%

450%

Upgrade our technology

2%

8%

340%

Advance my company's mission

2%

5%

410%

Shape our company's future

2%

8%

150%

Other goal

3%

20%

200%

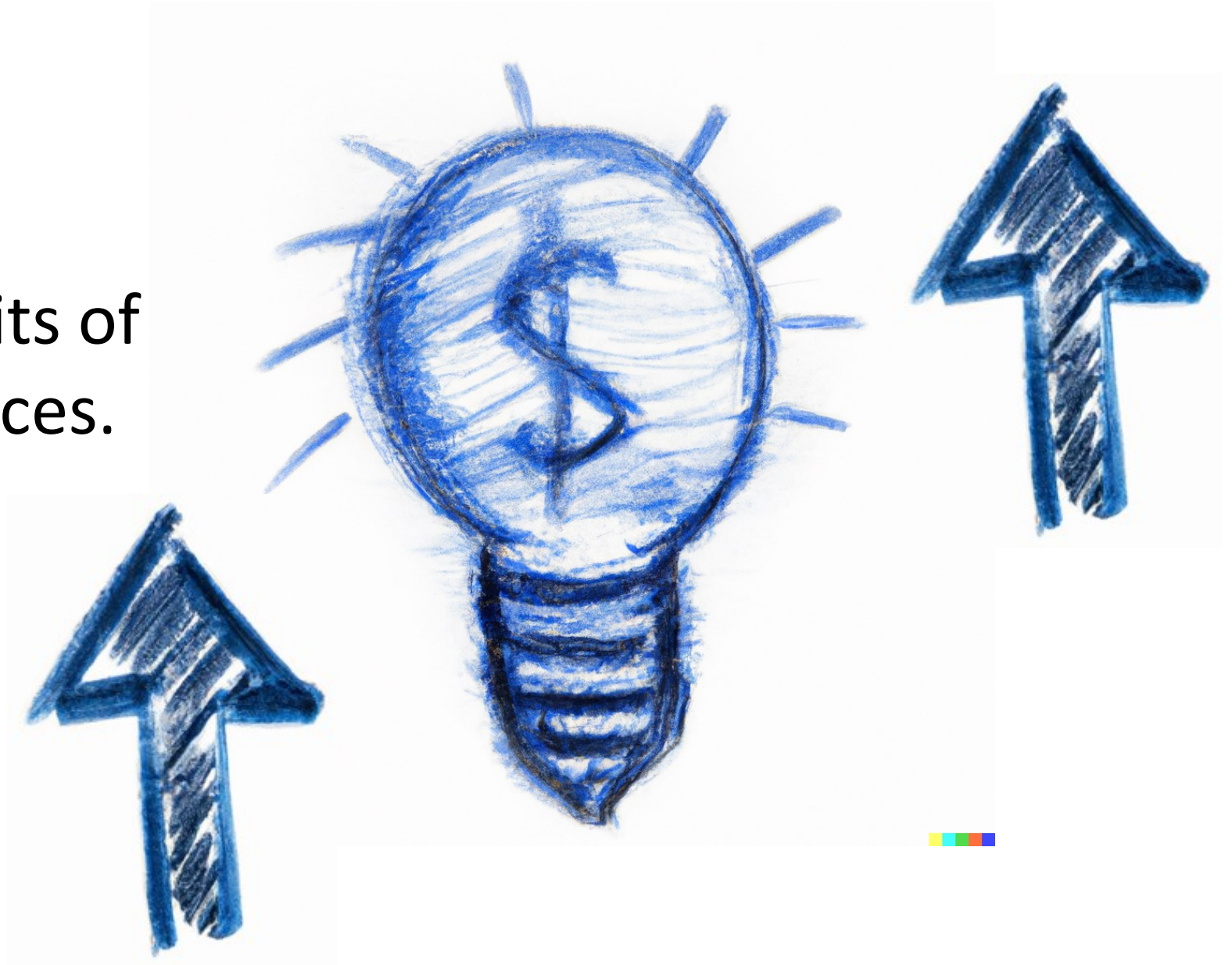
Spending too much?

Spending too little?

STEP 3

Show the benefits of **higher** travel prices.

Yes, higher.



**Carbon Intensity is a simple ratio.
It makes comparing tickets and travel programs easier.**

The ticket's carbon intensity is

$$\frac{\text{A ticket's CO2 in kg}}{\text{The ticket's price}} = \frac{500 \text{ kg CO2}}{\$500} = 1.0 \text{ kg CO2} / \$$$
$$\frac{10 \text{ million kg CO2}}{\$10 \text{ million air spend}} = 1.0 \text{ kg CO2} / \$$$

**The smaller the carbon intensity, the better.
The key is paying more to pollute less.**

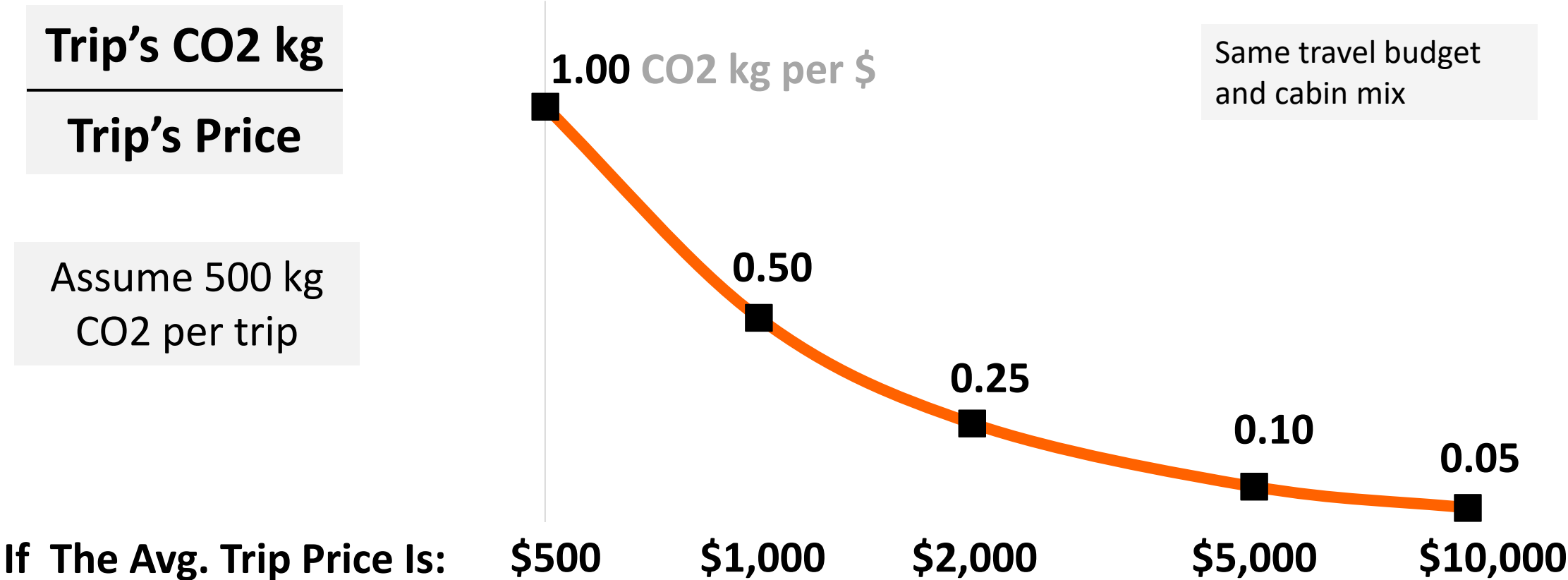
Higher travel prices will reduce travel's carbon intensity

CARBON INTENSITY:

$$\frac{\text{Trip's CO2 kg}}{\text{Trip's Price}}$$

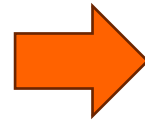
Assume 500 kg CO2 per trip

TRAVEL'S CARBON INTENSITY FALLS WITH HIGHER PRICES

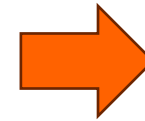


Use lower carbon intensities and their higher prices to buy higher-quality trips

More flexible itineraries
Premium cabins
Direct flights
Popular days and times
Higher-quality hotels



Reduce
Traveler
Friction



More successful trips
**Better traveler health,
safety, well-being**
**Less road warrior
attrition**
Fewer trips, less CO2

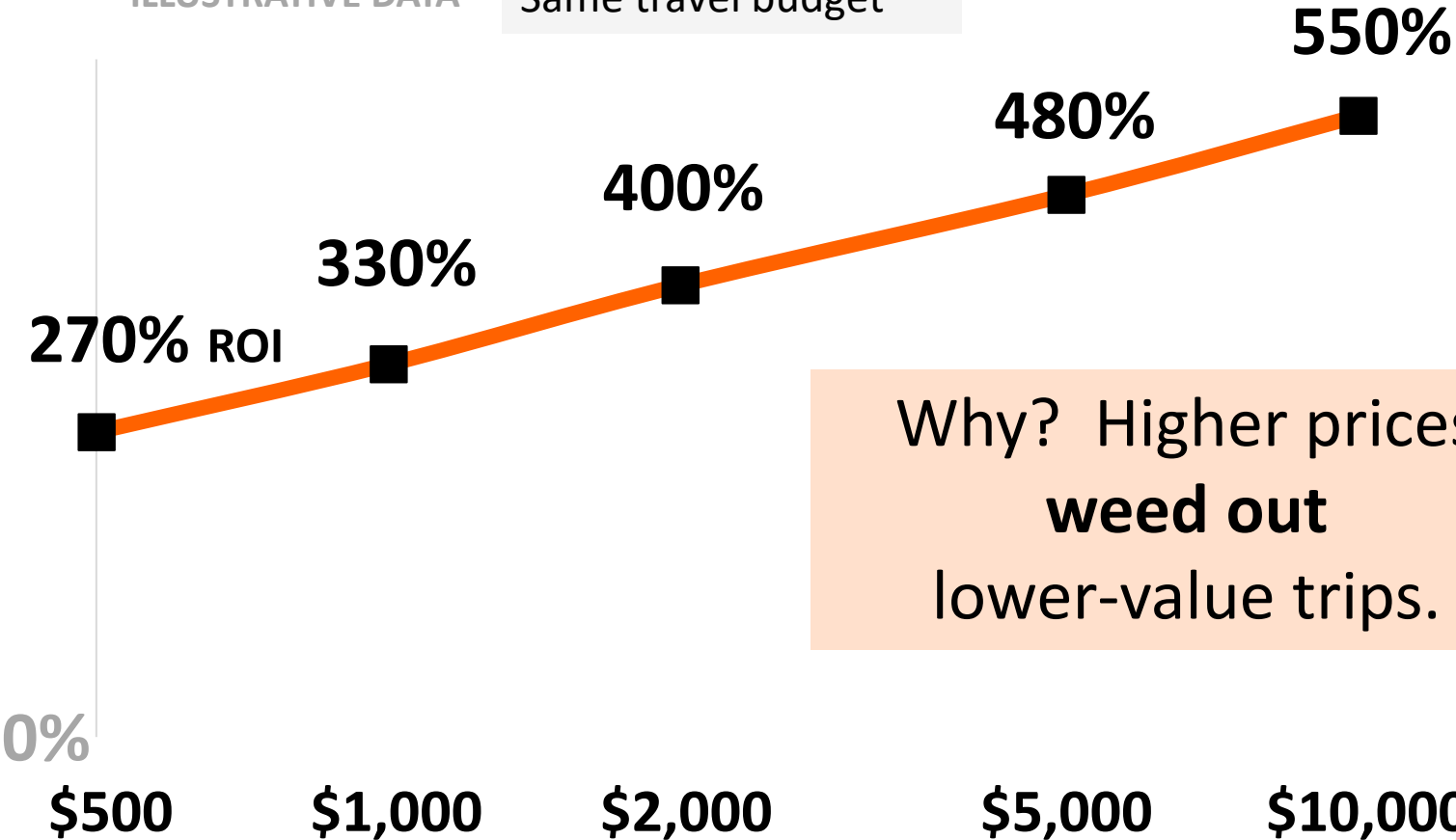
Reducing carbon intensity by paying higher prices will increase travel's ROI

TRAVEL ROI % =

ILLUSTRATIVE DATA

Same travel budget

$$\frac{\text{Net Expected \$ Value from All Trips}}{\text{Total Travel Costs and Travelers' Time Value}}$$



Why? Higher prices weed out lower-value trips.

If The Avg. Trip Price Is:

\$500 \$1,000 \$2,000 \$5,000 \$10,000

STEP 4

Show the implications of these new goals:

Strategically re-allocate travel spend

Reduce travel's carbon intensity

Reduce low-value trips, Improve travel's ROI

Modify Online Booking Tool

Use Pre-, Post-trip Assessments

Higher Travel Prices

Travel Policy Changes



STEP 5

Lead the witness with these questions:

“What’s the minimum ROI you want on the travel budget?”

“What safeguards would you want around the process of estimating a trip’s ROI?”

“How much of the savings from eliminating low-value trips would you want to re-invest in higher-value trips?”

“Which executive would you want to pilot this new approach to managing travel costs?”

“Who should be involved in setting a carbon intensity goal for our travel spend?”



How To Calculate ROI For Any(!) Business Trip



Imagine this trip approval discussion:

Traveler asks

Manager says

“Can I take this trip? It costs \$10,000.” “No, not worth it.”

“What if it costs \$7,000?” “No, not worth it.”

“If it costs \$4,000?” “No, not worth it.”

“If it’s \$3,000?” **“Yes, it’s worth it.”**

The “Aha!” moment...

The manager knows when
a trip costs too much.

The trip’s **maximum justifiable cost**
is in this range

“If it costs \$4,000?” “No, not worth it.”

If it’s \$3,000?” **“Yes, it’s worth it.”**

The key question to ask is

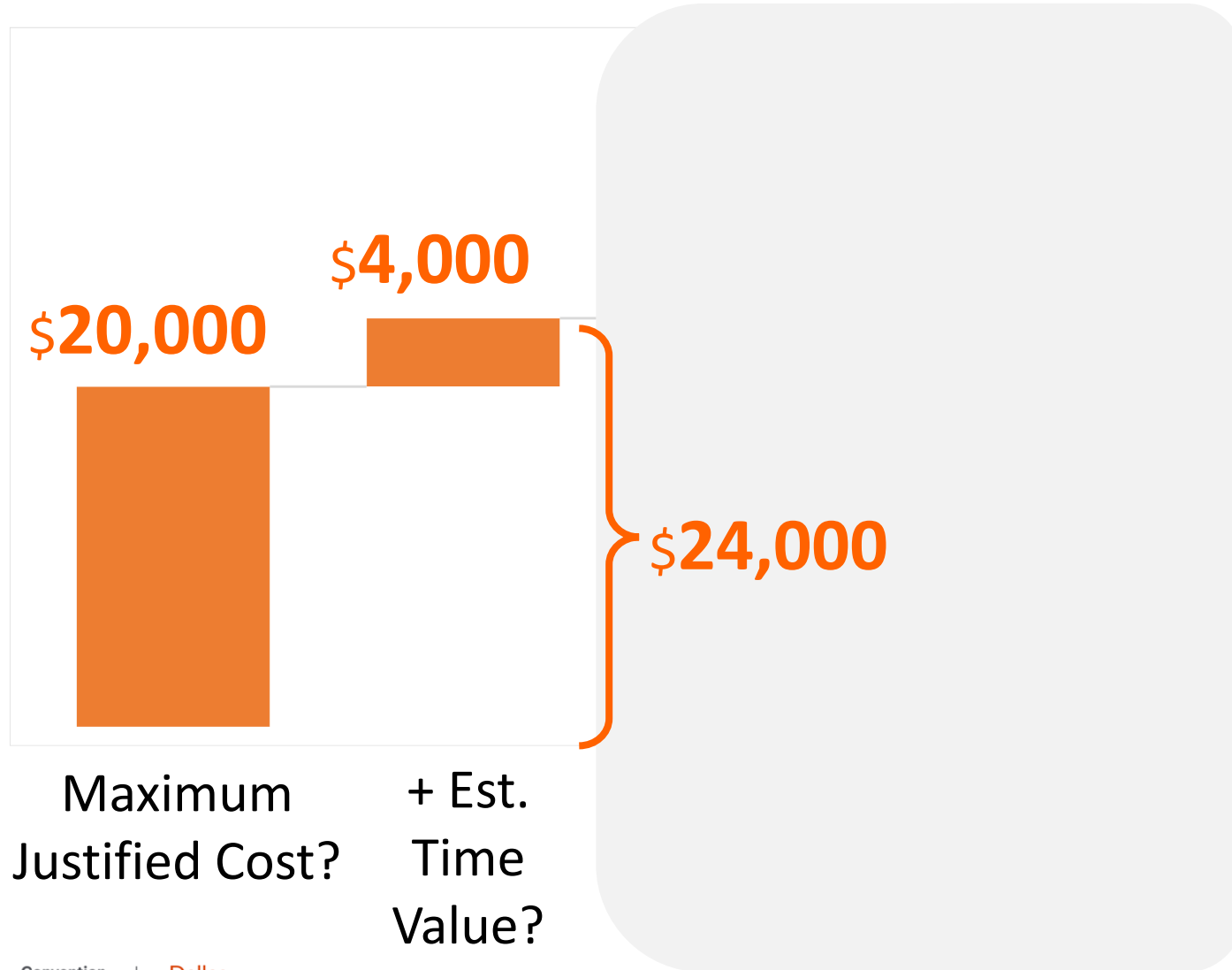
“What’s the **most
this trip could cost,
and still be justified?””**

Then ask two more easy questions

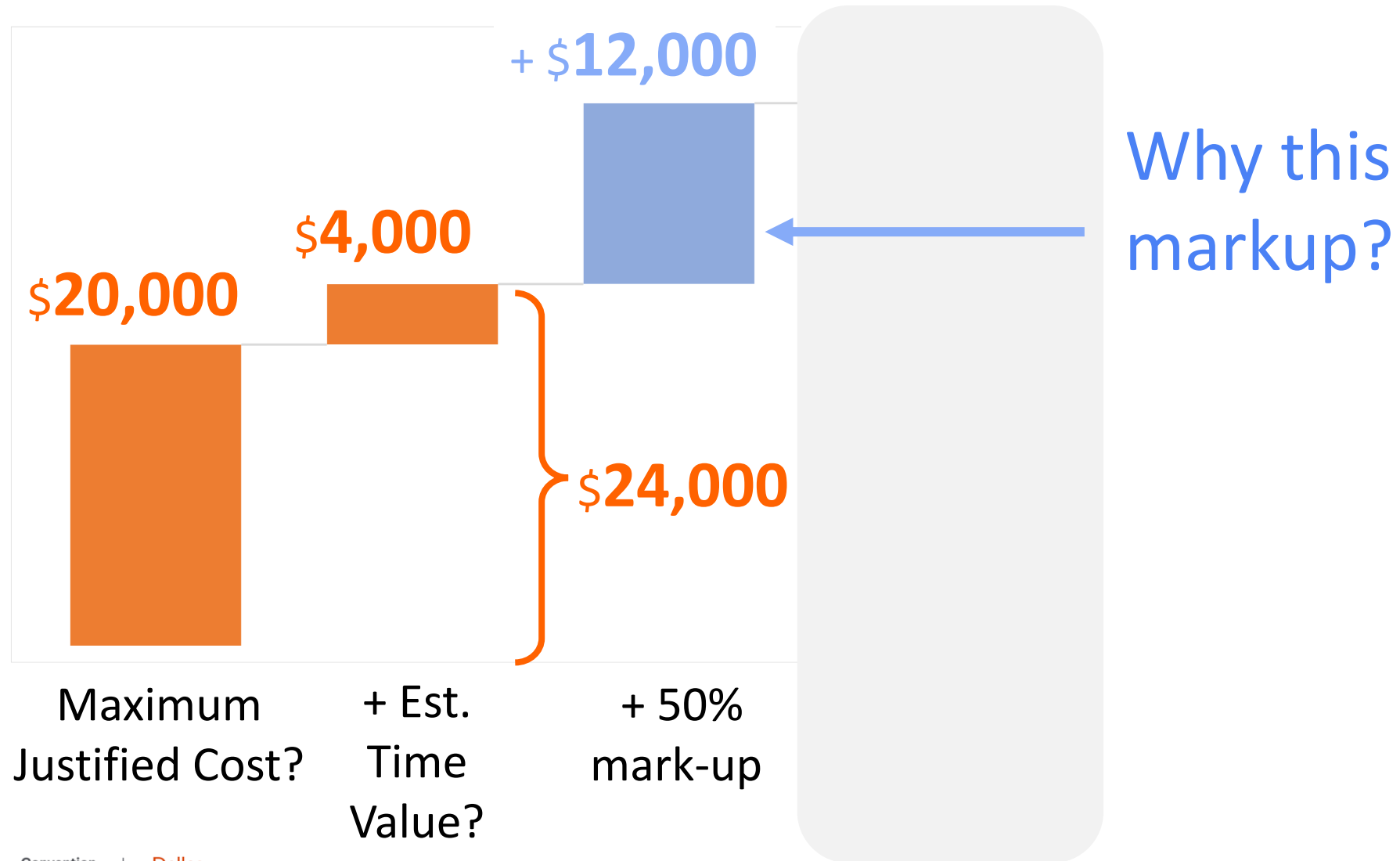
1. What's the most this trip could cost and still be justified?
2. What's the value of your time during this trip?
3. What will this trip likely cost, all in?

So simple.

tClara's Justified Cost Model, Part 1



tClara's Justified Cost Model, Part 1



Q. "To be worthwhile, the value of a trip must exceed its cost by at least..."

AVERAGE PERCENTAGE BY RANK

Executive Management 51%

Senior Management 56%

Middle Managers 69%

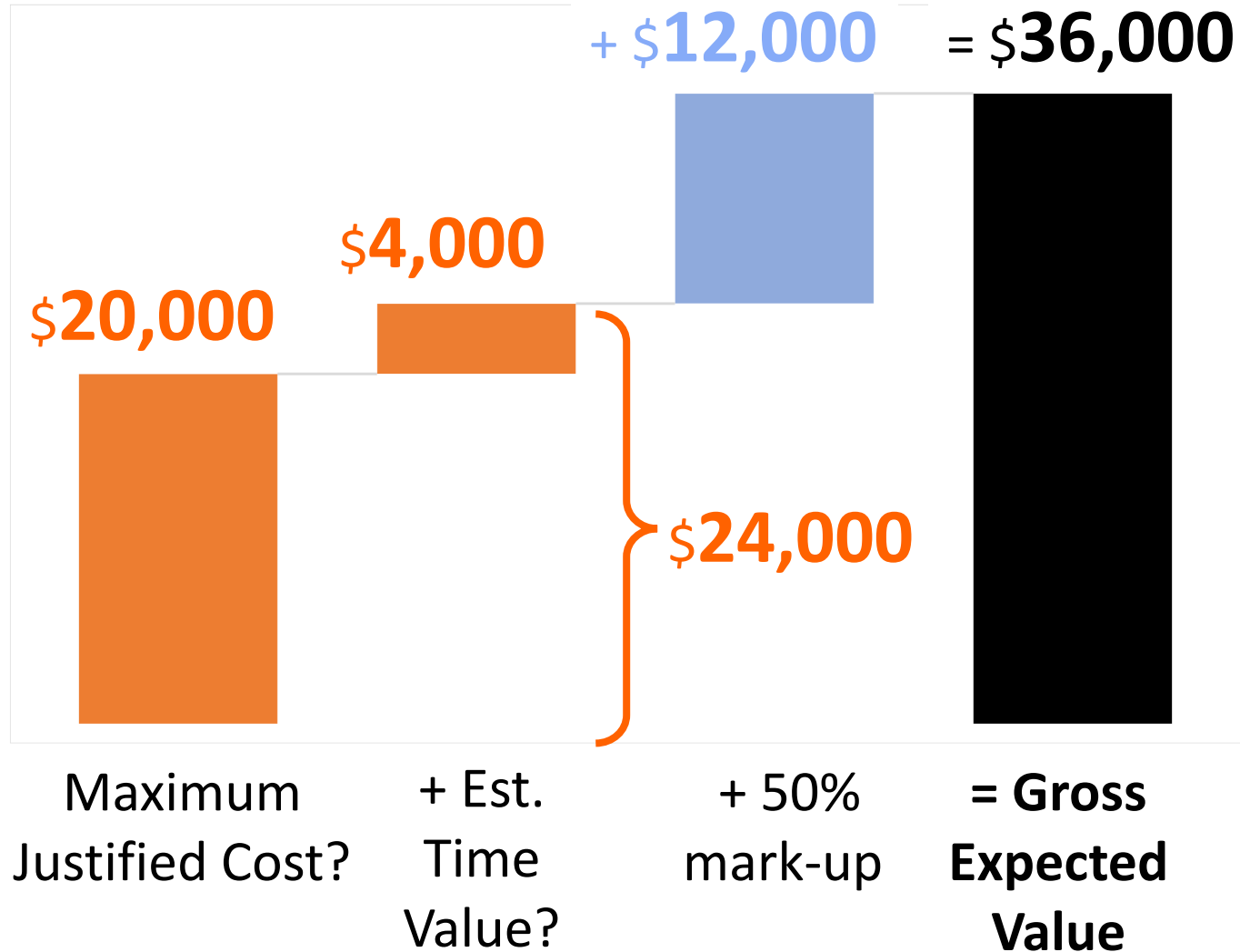
Junior Management 85%

Individual Collaborator 100%

Top management expects at least a ~50% return

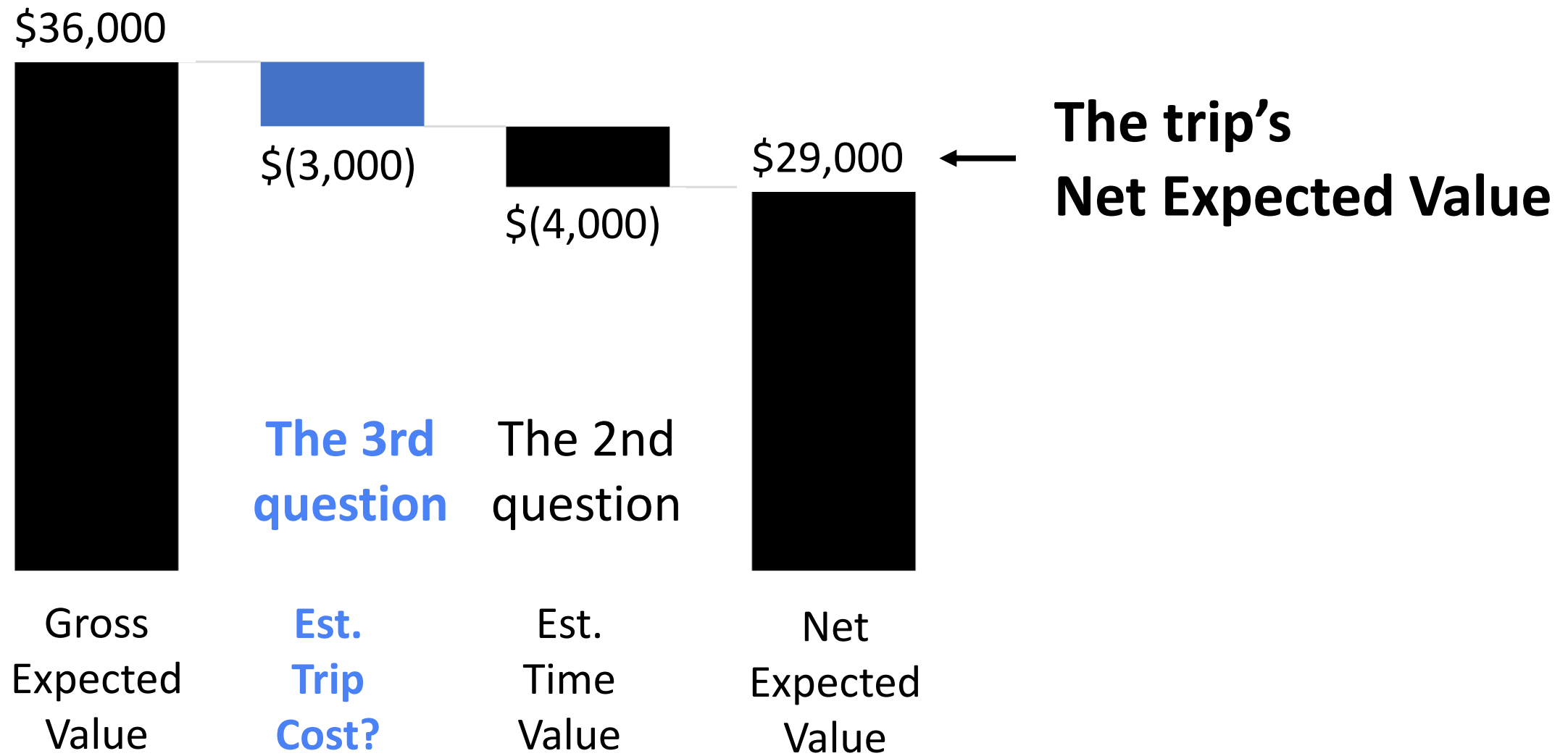
Source: tClara. (2023). *The Justified Business Trip* [White paper].

tClara's Justified Cost Model, Part 1

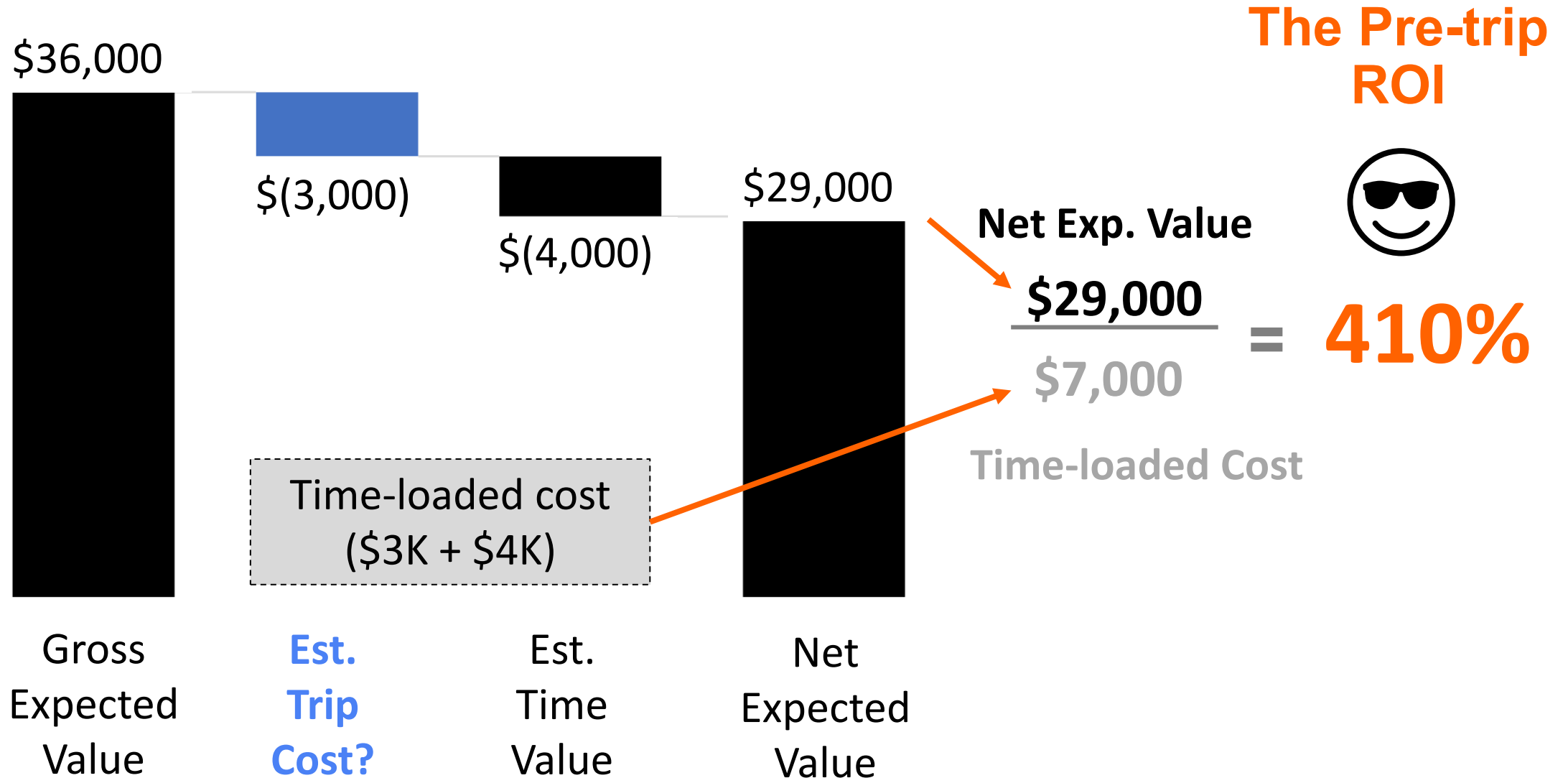


The trip's
Gross
Expected
Value ←

tClara's Justified Cost Model, Part 2



tClara's Justified Cost Model, Part 2



Pop Quiz

Which Trip Type Has The Better ROI?



Which type of trip has the higher average ROI%?

Average
Pre-Trip ROI

370%

A) Trips that have no cost reimbursement
(100% paid by the company)

Or

230%

B) Trips that have some or all costs
reimbursed by a 3rd party

Source: tClara. (2023). *The Justified Business Trip* [White paper].

Which type of trip has the higher average ROI%?

Average
Pre-Trip ROI

220%

A) Trips with some leisure element
("bleisure")

Or

350%

B) Trips with no leisure element

Source: tClara. (2023). *The Justified Business Trip* [White paper].

Which type of trip has the higher average ROI%?

Average
Pre-Trip ROI

370% A) Trips taken by individual contributors

Or

210% B) Trips taken by executive management

Source: tClara. (2023). *The Justified Business Trip* [White paper].

The last words with any CFO:

THE AVERAGE BUSINESS TRIP

MEAN

Net Expected Value **\$26,600**

Pre-trip ROI **310%**

Business travel
is a
great value!

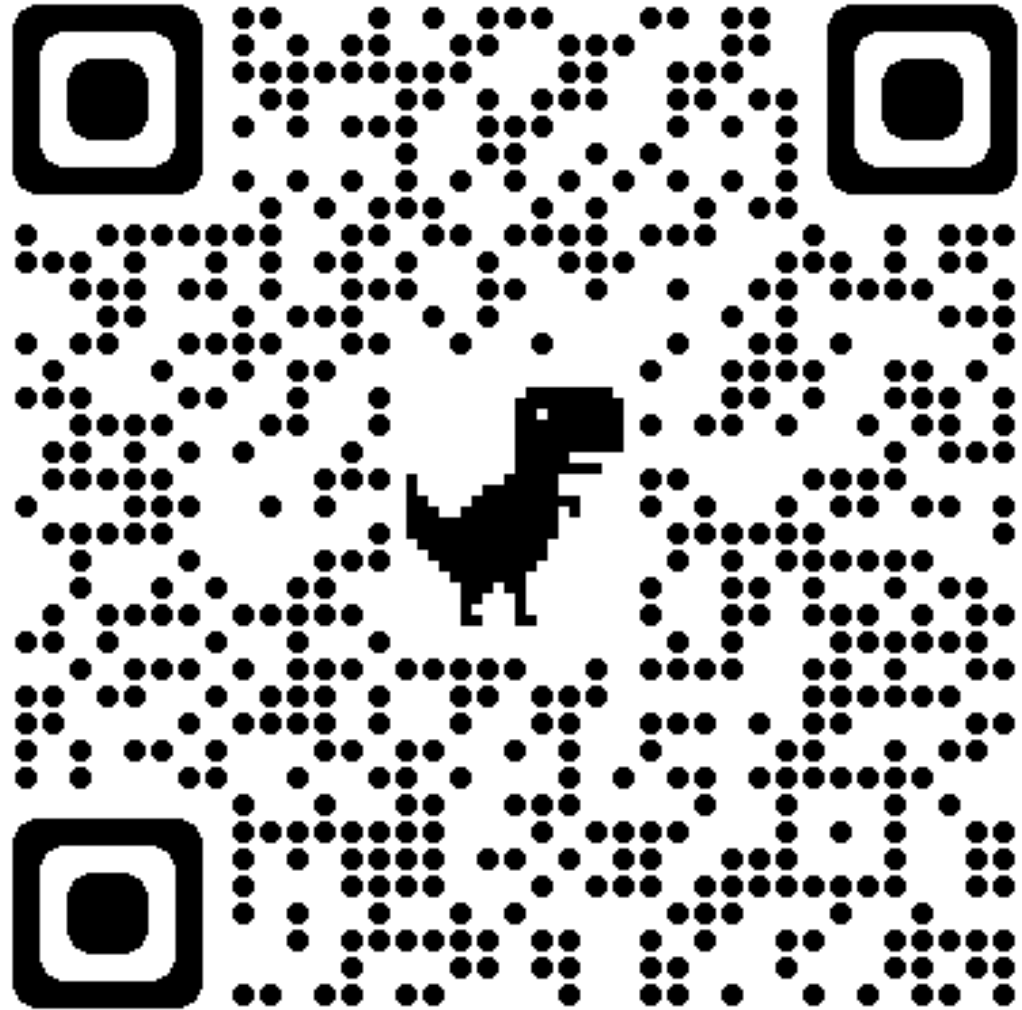


Source: tClara. (2023). *The Justified Business Trip* [White paper].



Thank You!

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