



Corporate Travel Trends - Indonesia April 2018

Understanding Industry Challenges and Opportunities

Compiled by Biztrips



Background

Corporate travel or business travel, or otherwise known as business trips, are travel activities undertaken for work or business purposes, as opposed to leisure or regular commuting between home and workplace.

Corporate travels are mostly undertaken for:



Controllable Costs

For many companies, business travel expense (T&E) has been identified as one of the top five largest controllable costs¹.



Roles and Functions

Corporate travel or business travel management is a strategic role and function in the company that manages a business traveller's requirements, activities and expenses through travel policies; negotiations and day-to-day relationships with service providers and suppliers; traveller's safety and security; procurement/purchasing transaction data management, and expense management programme. The role and function also include strategic meeting and events management.

The management role is usually handled by a *Corporate Travel Manager*, which may be part of general services, administrative services, procurement, Human Resources or the Finance department. In smaller companies, this role and function may be undertaken by secretaries, who are often recognised as travel arrangers or bookers.

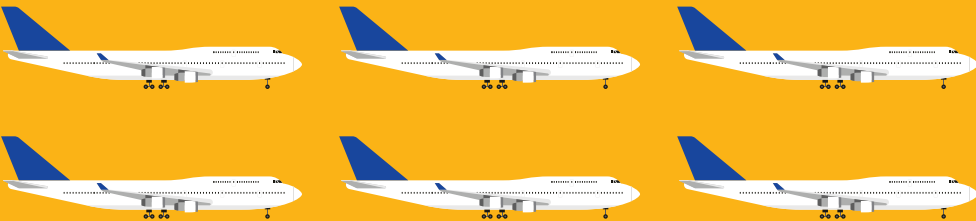
Travel Management Companies (TMCs) offer corporate travel management services which assist companies to manage business travellers' requirements on a daily basis. Besides providing travel assistance and services by experienced travel consultants, TMCs also provide meetings and events management services and reporting functionality.

¹ Costs are not limited to travel activities and requirements using air/land/ water transportation (airline/train/car/ferry/boat), and accommodation (hotel/service apartment); but include all costs incurred during travel such as meals, transfers, business venue and services, entertainments, gratuities, gifts for clients, etc.

Facts & Figures

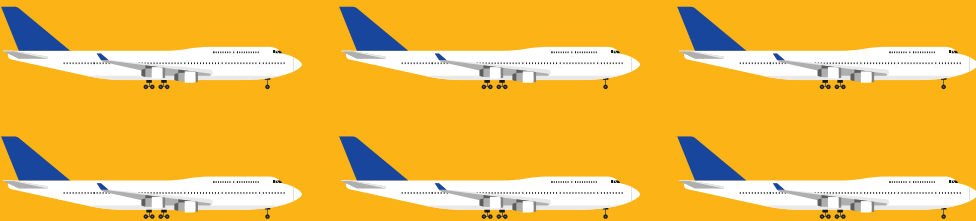
Based on *The State of Business Travel 2016* report, the average number of business trips taken by a business traveller is 6.8 trips per year². Millennial business travellers however, who are under the digital native age group, is now leading with an average of 7.4 business trips per year as compared to Gen Xers (6.4 trips/year) and Baby Boomers (6.3 trips/year).

BABY BOOMERS (Aged 54-72)



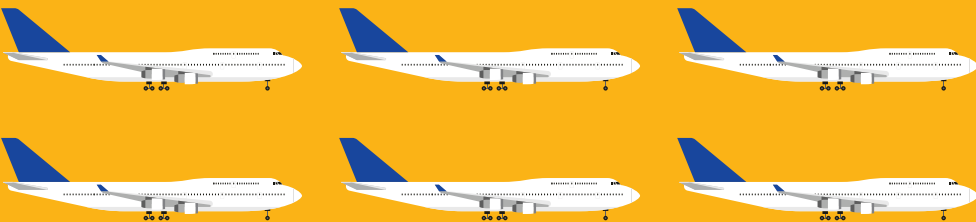
 **6.3 Trips** Per Year Per Traveller

GEN X (Aged 42-53)



 **6.4 Trips** Per Year Per Traveller

MILLENNIALS (Aged 23-41)

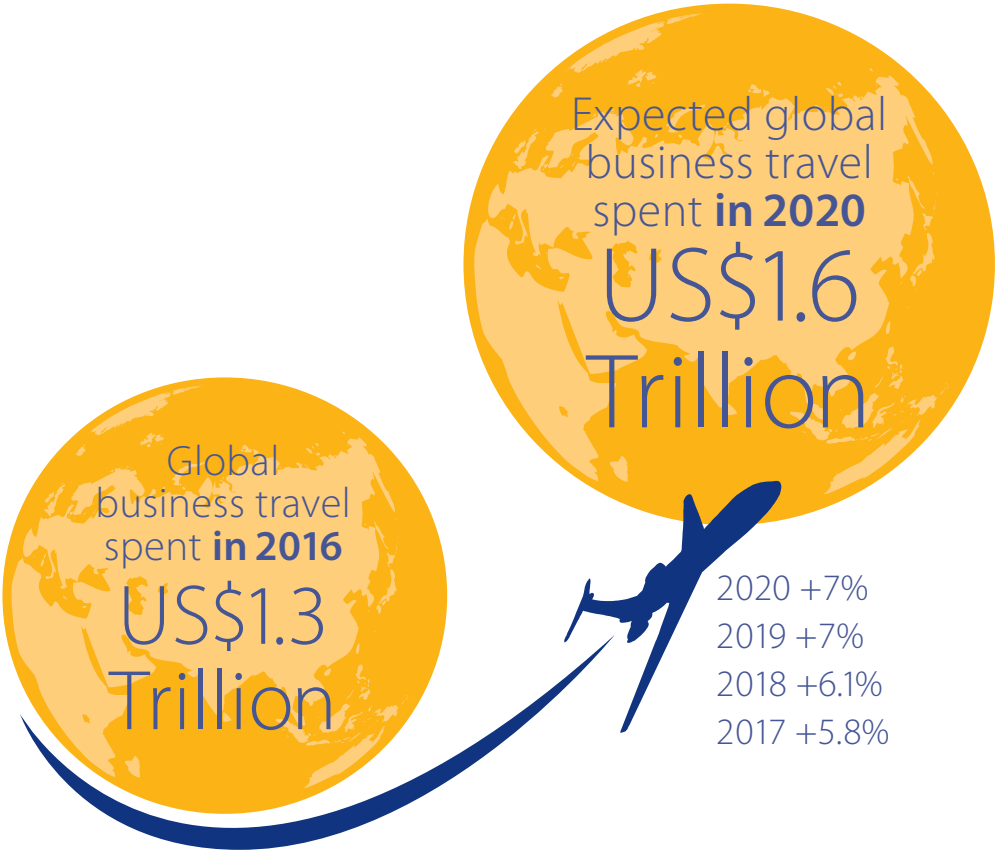


 **7.4 Trips** Per Year Per Traveller

² Source: *The State of Business Travel 2016*, Concur. Business trips frequency per traveller is between three to 30 times per year depending to their roles in the company.

Global business travel spent in 2016 reached US\$1.3 Trillion, of which 1% or approximately US\$13 Billion was contributed from Indonesia.

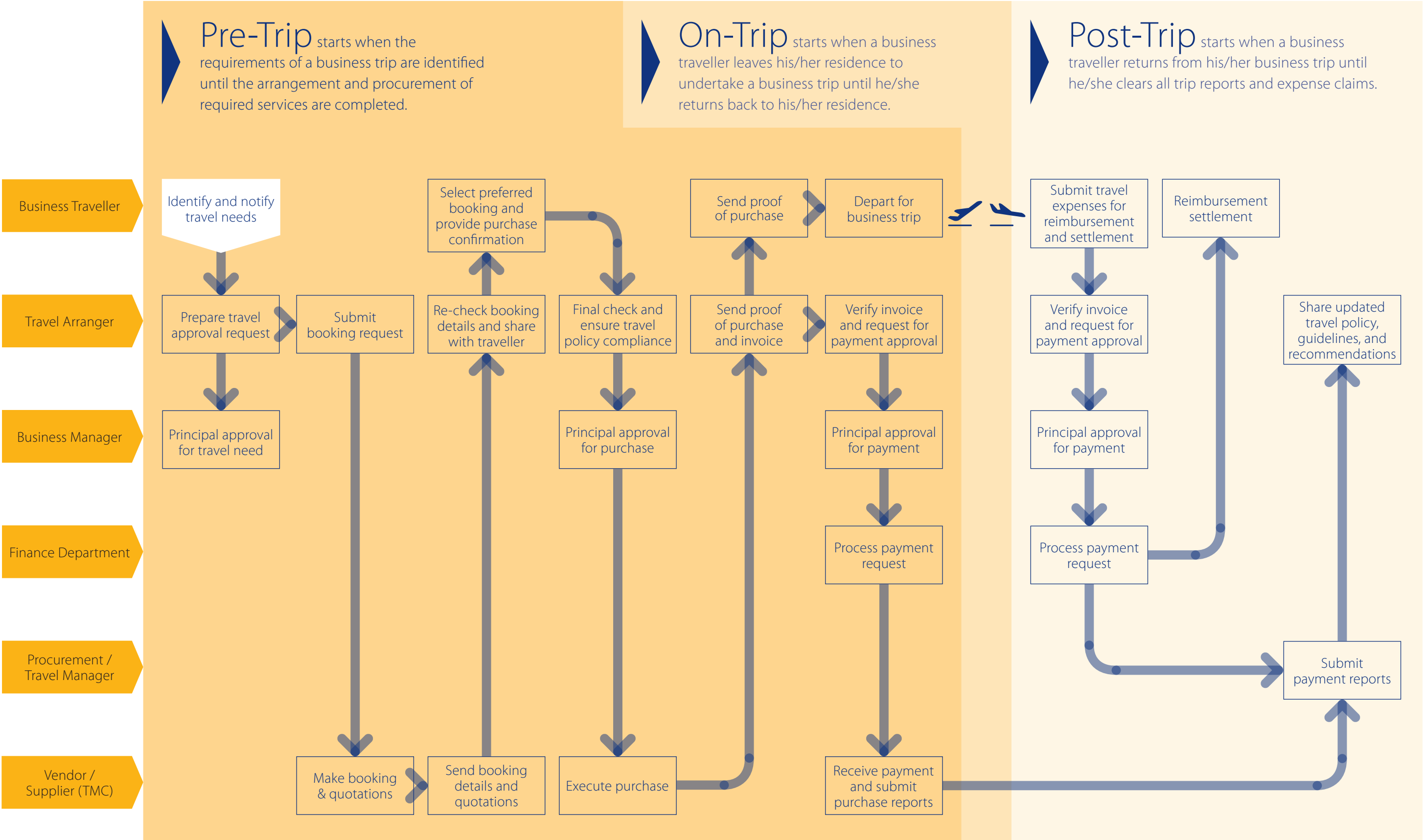
In 2020, global business travel spent is expected to reach US\$1.6 Trillion with 5.8% to 7% growth annually. GBTA predicts Indonesia business travel spent to grow at a double-digit growth rate in the next five years.³



³ Source: *Global Business Travel Association (GBTA) Report*

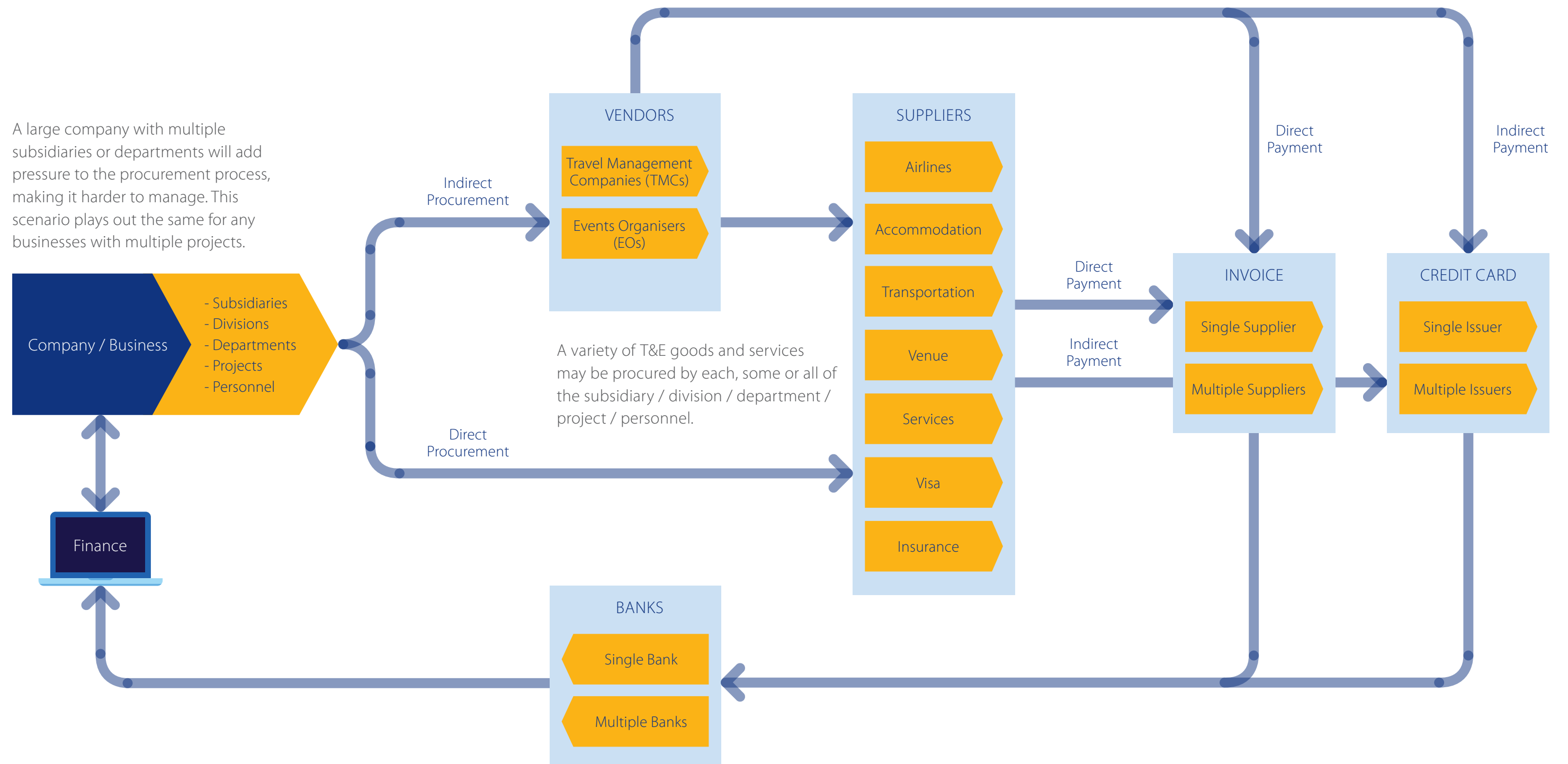
Common Practice: Pre-Trip to Post-Trip Overview

The booking of a business trip begins at the Pre-Trip phase. The whole process often has to go through various stakeholders and is tedious and cumbersome. The subsequent review and approval of invoices from the vendors are equally time-consuming, resulting in loss of staff-hours which could be put to better use.



Common Practice: Procure-to-Pay Overview

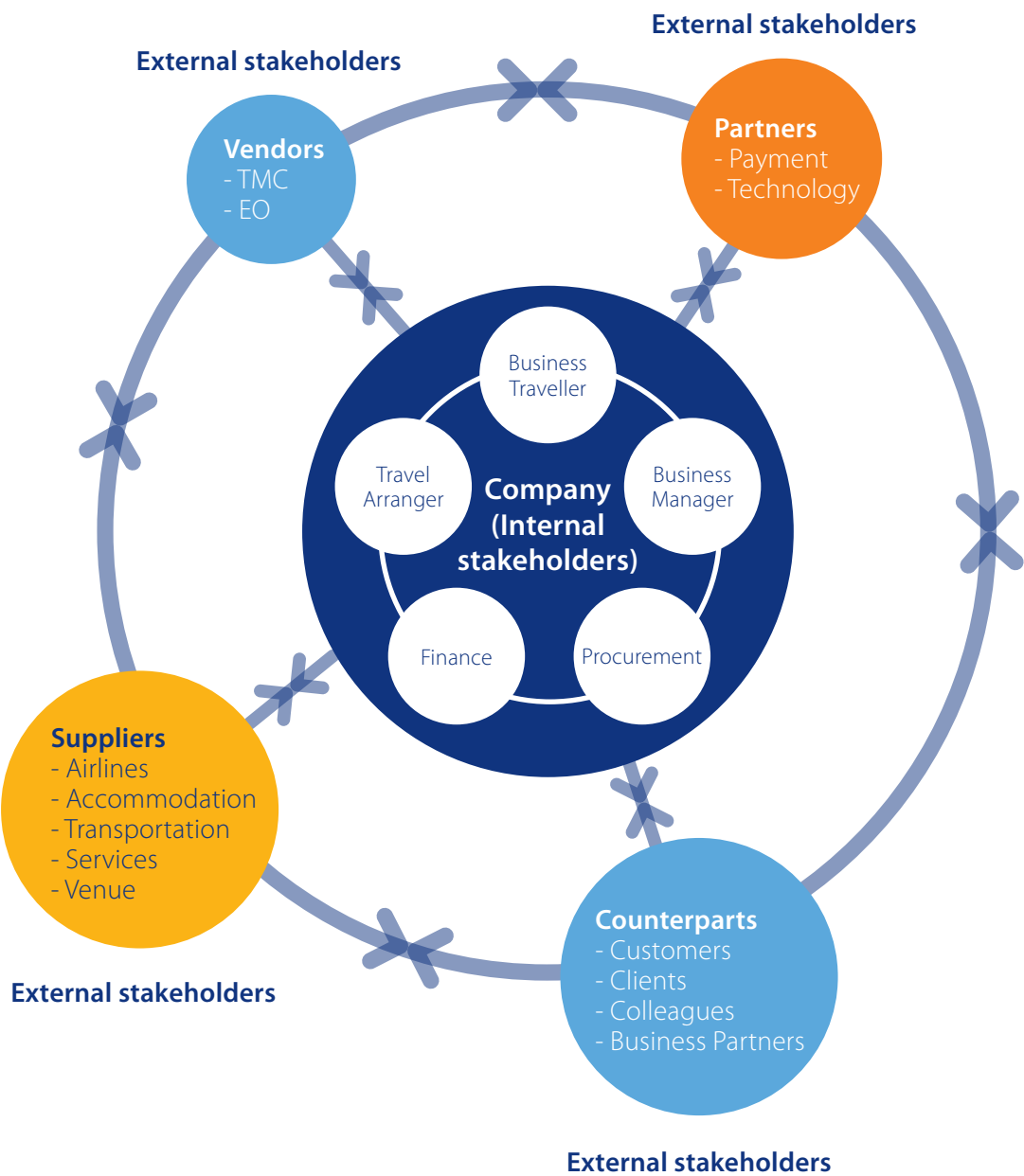
Procurement and payment to vendors or suppliers for business-related travel is a complicated process. Managing relationships and reconciliation of multiple vendors and suppliers using numerous payment methods and banks are very challenging – especially so for the finance department.



Challenges

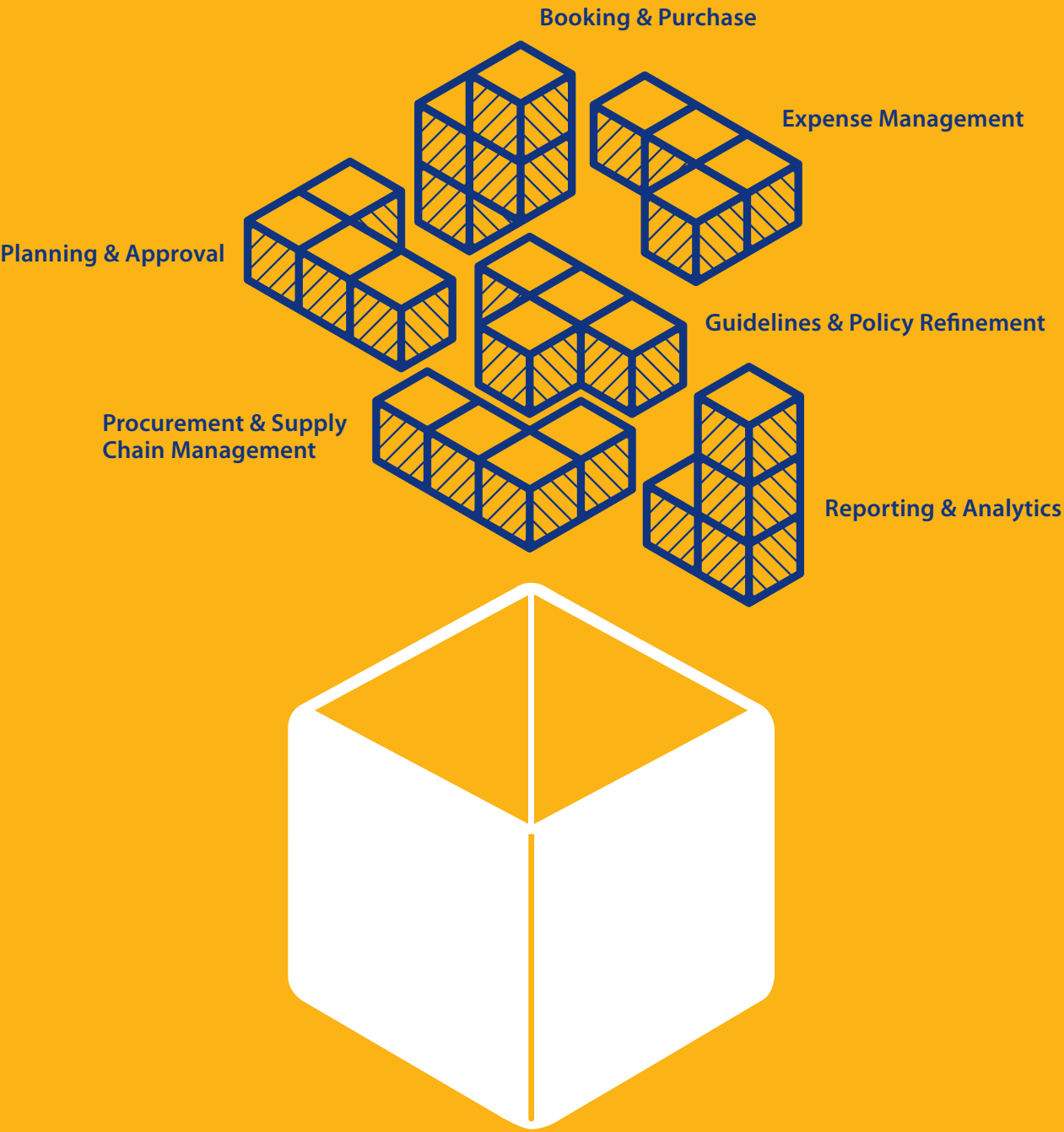
Managing the interests and expectations of multiple stakeholders

Corporate travel serves many purposes and often involves many different stakeholders. Both internal and external stakeholders have their characteristics, interests and expectations. Some support each other, while some may be conflicting. It is a constant challenge to manage and to achieve the balance of interests, expectations and the day-to-day relationships of each group.



No one-size-fits-all approach

The requirements of business travel are dynamic and cannot be solved with a one-size-fits-all solution; hence, while there should be a set of predefined conditions for travel policies and procurement guidelines, they should also be flexible to accommodate unforeseen circumstances. Setting specific requirements often result in the common or preferred procurement scenarios becoming irrelevant, ineffective and inefficient.



Challenges

Similarities with differences

Even amongst companies of similar industry, category or size exist differences in corporate travel management practices such as PROCESS, POLICY, PROCUREMENT and PAYMENT. These differences are not particularly unusual and can be due to many factors. In Multinational Companies (MNC), it is mostly driven by a mandate from a global or regional authority for the benefit of standardisation, consolidation and bargaining positions. For Large Local Companies (LLC), it is often a call by a new authority for efficiencies and relevance to current trends and situations. For Small-Medium Enterprises (SME), it is mostly driven by authority experience and preference, whereas for State-Owned Enterprises (SOE), it is primarily due to government regulation and authority structure.

Challenges can also arise from the lack of awareness and knowledge; resistance to change; slow adoption of new guidelines, policies and industry best practices, and technology availability or the lack thereof.

PROCESS

Travel approval is the very first key business process in corporate travel management for most companies regardless of industry, category or size.

Some companies require only one approver, while some may require more than three approvers, depending on purpose and requirements such as whether it is domestic or international travel.

Sometimes approval is required before making a reservation; while some only require after, and before Purchase Orders or request is sent to vendors or suppliers.

POLICY

Travel policy refers to guidelines and regulations on corporate travel. But policies can differ greatly, even within the same organisation.

In an SOE in the financial sector, cash is sometimes given in advance to staff for business travel expenses, while the use of corporate cards is enforced on some occasions.

Two similar sized local large companies may employ different travel allowance policies – one may give per diem based on the number of days of travel, whereas the other may reimburse based on expense claim.

Some MNCs allow their staff to fly on business class for trips spanning six hours or more, while others only allow such entitlements when the flight duration is more than 12 hours.

PROCUREMENT

Direct and indirect procurement are common practices in corporate travel management. Its efficiency depends largely on a company's travel needs, requirements and resources availability.

For example, small-to-medium sized company meetings outside the office premise can be managed either internally or outsourced, often to someone from the venue, or an events organiser.

Business travellers travelling as a group is another example. Depending on the complexity of the itinerary, a company may purchase the tickets directly from airlines' websites or sales offices, or through preferred online or offline travel agents.

PAYMENT

Business travel expenses are incurred from pre-trip to post-trip phases. The management of expense categories is highly affected by the business travel management strategy of a company, as well as availability and maturity of expense and payment solutions in the market, such as payment acceptance level by relevant vendors and suppliers.

There were many reported cases where a company had agreed to utilise corporate card to manage their travel expenses but had to use cash instead due to non-acceptance of cards by many vendors and suppliers at destinations. Conversely, there were cases where vendors and suppliers preferred payment by corporate card, but the company's policy did not encourage or support corporate card programme for all employees.



Opportunities

Growing niche market

Pre-trip approval is one of the key processes that can help companies to manage corporate travel or business travel activities and expenses – before it happens. When combined with Corporate Travel Account (CTA), it can be the solution for pre-trip challenges in today's relationships between companies and TMCs in Indonesia. While MDR has been the reason for low adoption by TMCs, preliminary requirements for risk assessment, especially financial-related information, has been identified as one of the sensitive areas for most companies in Indonesia.

Corporate Card can be a partial solution for today's on-trip expenses challenges for companies and its employees, who are frequent business travellers within Indonesia. Payment by card and preference by merchants within corporate travel ecosystem are critical to making it more than just a partial solution.

Procurement Card or Distribution Card can be the solution for billing and settlement relationships between a TMC (or travel agent) and its suppliers (e.g. airlines and hotels), or between principals (e.g. airlines and hotels) and its distribution channels (offline and online travel agencies or TMCs).

It is important for TMCs and banks to understand about business processes and payment flows in companies and corporations.

As the role of a corporate travel manager in companies and corporation becomes vital, having a solution specialist who keenly understands about the industry, on-the-ground best practices, upcoming trends and challenges will be advantageous and worthwhile for both TMCs and banks.



Disclaimers

The information and recommendations are provided “AS IS” and intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. When implementing any new strategy or practice, you should consult with your legal counsel to determine what laws and regulations may apply to your specific circumstances. The actual costs, savings and benefits of any recommendations or programs may vary based upon your specific business needs and program requirements. By their nature, recommendations are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Assumptions were made by us in light of our experience and our perceptions of historical trends, current conditions and expected future developments and other factors that we believe are appropriate under the circumstance. Recommendations are subject to risks and uncertainties, which may cause actual and future results and trends to differ materially from the assumptions or recommendations. Visa is not responsible for your use of the information contained herein (including errors, omissions, inaccuracy or non-timeliness of any kind) or any assumptions or conclusions you might draw from its use. Visa makes no warranty, express or implied, and explicitly disclaims the warranties of merchantability and fitness for a particular purpose, any warranty of non-infringement of any third party's intellectual property rights, any warranty that the information will meet the requirements of a client, or any warranty that the information is updated and will be error free. To the extent permitted by applicable law, Visa shall not be liable to a client or any third party for any damages under any theory of law, including, without limitation, any special, consequential, incidental or punitive damages, nor any damages for loss of business profits, business interruption, loss of business information, or other monetary loss, even if advised of the possibility of such damages.

THIS PUBLICATION COULD INCLUDE TECHNICAL INACCURACIES OR TYPOGRAPHICAL ERRORS. CHANGES ARE PERIODICALLY ADDED TO THE INFORMATION HEREIN. THESE CHANGES WILL BE INCORPORATED IN NEW EDITIONS OF THE PUBLICATION. VISA MAY MAKE IMPROVEMENTS AND/OR CHANGES IN THE PRODUCT(S) AND/OR THE PROGRAM(S) DESCRIBED IN THIS PUBLICATION ANY TIME.

The information contained in this publication is obtained by BizTrips through third party sources. The facts and figures mentioned in the publication is for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice. The Company will neither guarantee nor take surety for any prices/availability/discounts for any future event. The recommendations in the publication are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. The Company will not be held responsible for your use of information contained herein (including errors, omissions, inaccuracy or non-timeliness of any kind) or any assumptions or conclusions you might draw from its use.



Visa Inc. (NYSE:V) is the world’s leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network - enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device, and a driving force behind the dream of a cashless future for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit **About Visa**, visacorporate.tumblr.com and [@VisaNews](https://twitter.com/VisaNews).



PT. Biztrips Teknologi Multimedia Solusi is a consulting firm that offers technology and information services as solution for stakeholders in Indonesia's corporate travel industry.



Biztrips is a cloud-based business travel management solution that helps local companies and TMCs in simplifying and digitizing pre-to-post manual processes and business relationships to achieve greater efficiencies, visibilities, and cost control.

www.biztrips.international

Corporate Travel Indonesia is a destination site for corporate travel related insights, references, and events in Bahasa Indonesia.

www.corporatetravel.id

