

# **Transforming business travel with automotive supply-chain techniques**

Building on its experience in automotive supply-chain management, DaimlerChrysler has achieved significant economies of scale by entirely re-engineering its travel and expense management system. To do so, the company formed a unique partnership with Amadeus e-Travel, leaders in travel technology, TQ3, the leading travel solutions provider, and SAP.



**Only by talking to travel experts can the company develop an informed view of the complete business travel landscape.**



**Florian Tinnus,**  
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## DaimlerChrysler—a leader in Supply-Chain Management

The automotive industry has long been a pioneer in Supply-Chain Management and none more so than DaimlerChrysler. Indeed, the company views an integrated supply-chain as fundamental to its commitment to customer service. With 104 manufacturing plants in 37 countries and 14,000 suppliers and 13,000 sales outlets in 200 countries, it has built a highly-efficient global supply-chain of extraordinary proportions.

DaimlerChrysler was among the first manufacturers to incorporate suppliers into the manufacturing process, scheduling volume against demand and delegating responsibilities such as research and development, previously jealously guarded by manufacturers themselves. The result is an award-winning<sup>1</sup>, IT-enabled supply-chain that is predictive, being able to anticipate and accommodate change, and transparent, allowing managers to scrutinize every link in the chain and adjust it in real-time.

## Phase One

### Applying supply-chain techniques to Travel Management

A corporate brand is the sum of everything your company says and does. It is the result of the million experiences a company creates with vendors, employees, investors, press, communities, and customers and the emotional feelings the groups develop as a result. A corporate brand is a valuable business asset, one that can return on investment when thoughtfully managed over time.

Five years ago, DaimlerChrysler recognized that the ERP systems implemented during the late nineties had created an opportunity to apply automotive supply-chain expertise to its extensive business travel operations. Their aim was to achieve savings in both time and money through economies of scale and greatly simplified processes. The company realized that if it could achieve for business travel the same transparency of data, so meticulously developed for its core business, it could become far more cost-efficient by managing travel costs more proactively.

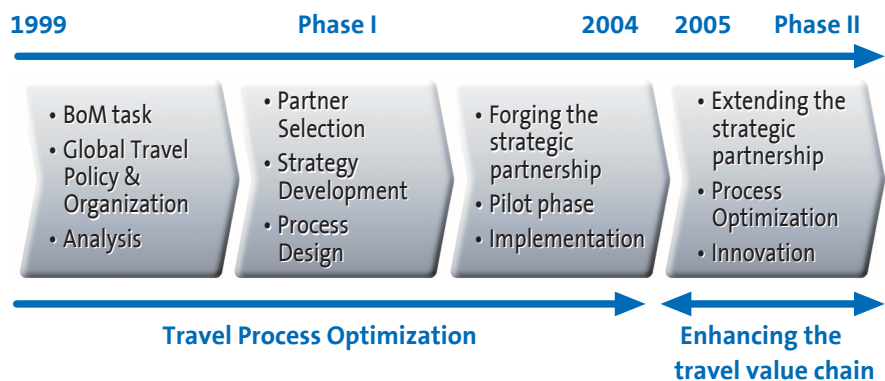
Late in 1999, the DaimlerChrysler board formally launched a project to establish a single, global travel policy managed by two regional travel organizations, one for the Americas and the other for Europe and the rest of the world. Phase One, which took the project from strategy to full implementation, started in March 2000 and would last four years.

It began with an extensive study of current travel processes and their associated costs. The analysis took four months and revealed a complex travel landscape. In Germany alone, the manufacturing plants had 16 different travel management and expense systems between them, and there were relationships with over seventy travel agencies. The team saw that there was enormous scope for process simplification and cost saving, which supply-chain management techniques could help them achieve.

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<sup>1</sup> 17th annual CIO 100 award, CIO Magazine, 2004

## Timeline



## Developing the strategy

With the analysis stage complete, the next step was to agree the strategy and operating principles. Rather than shape the strategy around the available tools, the project team chose to tailor it to DaimlerChrysler's precise needs and then select or adapt tools to support it. Transparency of data was all important, for only through detailed information about frequency and patterns of travel could the company drive the process improvements and economies it required.

The eventual solution had also to meet stringent criteria demanded by DaimlerChrysler's corporate strategy. Specifically, it had to be standardized, based on e-Business, designed to improve efficiency and add value, and to operate globally, while at the same time focusing on convenience for the traveler.

The company knew that to implement the solution it needed strategic partners with the experience to bring their own perspective and the necessary operational scale. By mid-2000, DaimlerChrysler decided to develop the solution using SAP Travel Management (SAP TM), with Amadeus and TQ3 as partners.

## Forging a strategic partnership

In September 2000, DaimlerChrysler invited the chosen suppliers to meet for the first time. As partners, TQ3, Amadeus e-Travel and SAP immediately became part of the overall project team, forming the foundation of the strategic partnership currently operating the solution. From the start, this meant establishing an open relationship in which all parties had access to each other's data—a major cultural shift for everyone. Although the company had defined the principles of the new approach, there remained an enormous amount of work to be done. The team had only nine months in which to design and re-engineer the entire travel management value chain. The first task was to structure the project. DaimlerChrysler chose to use TQ3 as the project manager, knowing that an outside consultant would be able to drive through change more aggressively than an internal team.

## Guiding principles

### » Standardized

The new solution must work across the entire company, using a single intranet system

### » Based on e-Business and designed to improve efficiency

All procedures must be intuitive, Web-enabled, paper free and delivered for self-service on the employee portal

### » Value adding

The system must have a demonstrable impact, reducing costs, improving cash-flow and expense control, increasing policy compliance and providing detailed management reports

### » Globally scalable

The program had to be globally scalable both in terms of process and partners

### » Focused on convenience for the traveler

The solution had to be perceived as useful and advantageous for the traveler

Recognizing that it was critical to gain the support of senior management, the project team introduced a program of regular communication and meetings. Similarly, they knew that the cooperation and, as important, the knowledge of travel managers around the world were equally vital. They therefore established two virtual, consultative organizations comprising travel managers from Germany, Europe and Asia, thereby involving them in the process from the outset.

## Using technology to revolutionize business travel

Having structured the project, the team began to develop the solution, which has subsequently revolutionized business travel at DaimlerChrysler and set a benchmark for best practice in the travel industry. The company's decision to work with a team of suppliers had already signaled a radical departure from previous practice, however, in those early days, few could have imagined the scope of the changes to be introduced.

Technology lay at the heart of the new approach, for only through technology could the company drive changes in process and apply supply-chain management techniques. The choice of SAP TM powered by Amadeus, offered DaimlerChrysler the chance to create an entirely paperless system in which all booking inquiries, flight and hotel reservations, expense management, and post travel reconciliation could be completed online.

## Travel Management online—the key to transparency

Technology also enabled the company to move from a centralized, controlled infrastructure to a decentralized model in which employees are empowered to make their own decisions about travel. External research<sup>2</sup> showed that one of the major blocks in the travel management process was approval, even though in pre-approval systems only 5% of trips were generally rejected. Most organizations were therefore opting for a complicated and expensive process to manage those few exceptional cases in which trips were not approved.

“The research was most revealing,” says Florian Tinnus, Travel Manager for Daimler Chrysler, responsible for Processes & Systems. “From a corporate perspective, it was clear that it would be simpler and more efficient to manage inappropriate travel after the fact.”

As a result, DaimlerChrysler decided to eliminate advance travel approval and introduce self-service reservation. The company had also to address the issue of cash advances, a costly, paper-based system requiring cumbersome administration on the part of both management and employees. They therefore decided to introduce online expense approval as well, using SAP TM powered by Amadeus to manage both processes.

Travel expenses are now managed by an electronic workflow in which receipts are scanned and digitally archived in a data warehouse linked to the SAP system (to be compliant with audit and tax regulations). However, the decision to eliminate cash

<sup>2</sup> (Benchmark Study Business Travel Europe, AT Kearney, 2003)

advances triggered a further radical change with the introduction of a company-wide credit card for the payment of all business expenses.

Although the card is arranged by the company, it is actually issued in the employee’s name and paid through his or her personal bank account. This requires rigorous discipline on behalf of both the employee and the company. On the one hand, the employee must submit expense claims promptly, while on the other, the company must transfer funds to the employee’s account in a timely manner in order to meet the payment.



## Process re-engineering

### Business travel process before roll-out



### New business travel process since roll-out



-  Process step in business travel process DC
-  Removal or optimization of process step

**The new business travel process enables a quick, paperless electronic workflow.**

The revolutionary approach also signaled changes for DaimlerChrysler’s chosen partners, who had to adapt their technology and culture to accommodate the new processes. For TQ3, it meant nothing less than redefining the traditional role of the travel management company and developing new capabilities to service new demands. Key to these was the creation of a Travel Service Center as a single point of contact for all inquiries, travel bookings and reporting. Although the new model required significant investment, TQ3 management decided to build new capabilities.

The creation of a paperless system and a data warehouse met one of DaimlerChrysler’s primary objectives for re-engineering its travel management process: transparency of data. The new system made this possible through the introduction of a “balanced scorecard”, enabling the company to measure key strategic and operational elements of the travel program and consequently to manage travel costs more tightly.

## The business travel balanced scorecard of DaimlerChrysler

Transparency was achieved based on key business travel performance indicators as the examples across the four classical perspectives of the balanced scorecard show:

**Financials:**

Airline cancellation rate airline & Travel Service Center performance

**Customer:**

Service level compliance and solution rate

**Process:**

Number of complaints, cycle time and travel expense process

**Strategy:**

Travel policy compliance and supplier bypass ratio

### Benefits of SAP TM powered by Amadeus e-Travel

- » Integrated self-service booking and travel expense via a quick and paperless electronic workflow.
- » Complete synchronization of on- and off-line transactions, supporting the single point of contact and “one stop-shopping” philosophy for the traveler
- » Consolidated data repository offers travel management transparency, control and detailed reporting
- » Creation of unique profiles in SAP and export of profiles to Global Distribution System (GDS)
- » Seamless integration with existing DaimlerChrysler HR and Finance systems:
  - Automated weekly update and synchronization of HR data and changes
  - Feeds financial systems for both accounting and employee reimbursement.

### Rolling out the new Travel Management system

The new system was ready for testing by May 2001 and DaimlerChrysler selected 200 employees for the pilot. For two months the project team worked closely with employees to establish what did and did not work, making modifications as necessary. By the end of July, they were ready to start rolling out the system across the company. Rather than adopt a “big bang” approach, they decided to introduce it on a plant by plant basis.

From the start, the team recognized the importance of good communications, working with external consultants to develop a program which included corporate newspapers, road shows, e-learning tools and other online support. The introduction of the corporate credit card was particularly difficult to explain and, as with all major corporate change, there was some resistance to the overall approach. Gradually, however, minor teething problems were ironed out and by February 2002 the new system was operating successfully at headquarters and in some plants across Germany.

### Evaluating Phase One—an unqualified success

After three years of operation, DaimlerChrysler believes that the strategic investment has been a major success.

Overall, the travel management system handles approximately 35,000 travelers making 210,000 trips per year, with approximately 97% of travelers using the corporate credit card.

The TQ3 Travel Service Center in Stuttgart is fully operational and completely integrated with the company’s processes. (In fact, TQ3 recouped its own investment in only two years and now has better cost/efficiency ratios in Stuttgart than anywhere else, demonstrating DaimlerChrysler’s win-win philosophy when working with suppliers.) The Center handles around 75% of an average 900 bookings per day, with the balance being booked online.

“Compliance has increased dramatically,” says Tinnus, “from 50% under the pre-approval system to over 90% in 2004. Overall, we achieved a saving in direct costs of \$5.6 million per annum, while the indirect or ‘process’ cost per trip has decreased by 50+%.”

Impact of new travel management system on employees	
From	To
Self selection from multiple travel agencies	One travel management company
Us and them” relationship with agencies	Strategic partnership
Fragmented service offerings	Single TQ3 Travel Center
Telephone reservation	Online booking
Pre-travel approval	Post-travel monitoring
Cash advances	Single corporate credit card
Personal preference dictates choice of airlines and hotels	Negotiation of preferred suppliers and “best deals”

### Capabilities required by TQ3 to deliver the solution

- » Project management and implementation
- » User Helpdesk for the business travel process
- » SAP Online Booking Engine (OBE)
- » SAP Travel Expense
- » Roll out, including road shows and user training
- » SAP OBE Customization
- » SAP Administration
- » Interface with Amadeus e-Travel

## Phase Two

### Enhancing the Travel Value Chain

Following the classic Supply-Chain Management approach, DaimlerChrysler is now poised to embark on Phase Two, in which both TQ3 and Amadeus e-Travel will continue to be critical partners.

“The world has moved on in the three years since we implemented our revolutionary travel management program,” explains Tinnus, “now we need to modify and adapt it to travel industry trends.”

In Phase One the company re-engineered and optimized the supply-chain process internally and established the strategic partner network. Based on this network, it will continue to analyze developments in the market in consultation with relevant market partners.”

“Only by talking to travel experts can the company develop an informed view of the complete business travel landscape,” continues Tinnus. “In Phase Two we will benefit from the knowledge available from within the strategic partner network and extend our view of the complete travel value chain.”

The goal is to form a virtual organization with partners, extending their scope beyond their initial commitment. An important outcome of Phase Two will be to transfer the knowledge gained, applying it intelligently to specific projects, such as directly integrating key suppliers in the online booking process based on the technological development of Amadeus e-Travel and building an innovative, multidimensional view on travel data.

The partners confidently expect Phase Two to produce benefits for all stakeholders in the virtual organization.

“The second phase will mark another milestone,” explains Tinnus, “further improving transparency by expanding and integrating current data analysis procedures and tools to create a Travel Data Warehouse.”

The Travel Data Warehouse is an Enterprise Business Intelligence solution, that will aggregate data from multiple sources, allowing the company’s Travel Management organization to refine reporting still further.

In a continued effort to add value to DaimlerChrysler’s travel program, TQ3 and Amadeus e-Travel will implement OTEDIS, an innovative technology for the company’s Hotel Program, OTEDIS will enable the inclusion of independent hotels in the online booking process, thereby providing travelers with the most appropriate options for their business travel, without compromising the company’s standard processes.

### **Control over hotel component of travel program:**

DaimlerChrysler has invested in extensive research on factors determining traveler choice, specifically conducting 4,000 interviews a year.

Currently 87% of the hotels used are GDS hotels. This percentage is growing. Of the remaining 13% of hotels not in GDS, the percentage is shrinking, however, some non-GDS hotels are critical. The strategic partner network will therefore focus on bringing these few critical non-GDS properties into the DaimlerChrysler process.

DaimlerChrysler expects to achieve further process improvements and cost savings with the introduction of mySAP ERP.

“Travelers will benefit from a new online interface through which we expect to achieve further process improvements and cost savings,” says Tinnus.

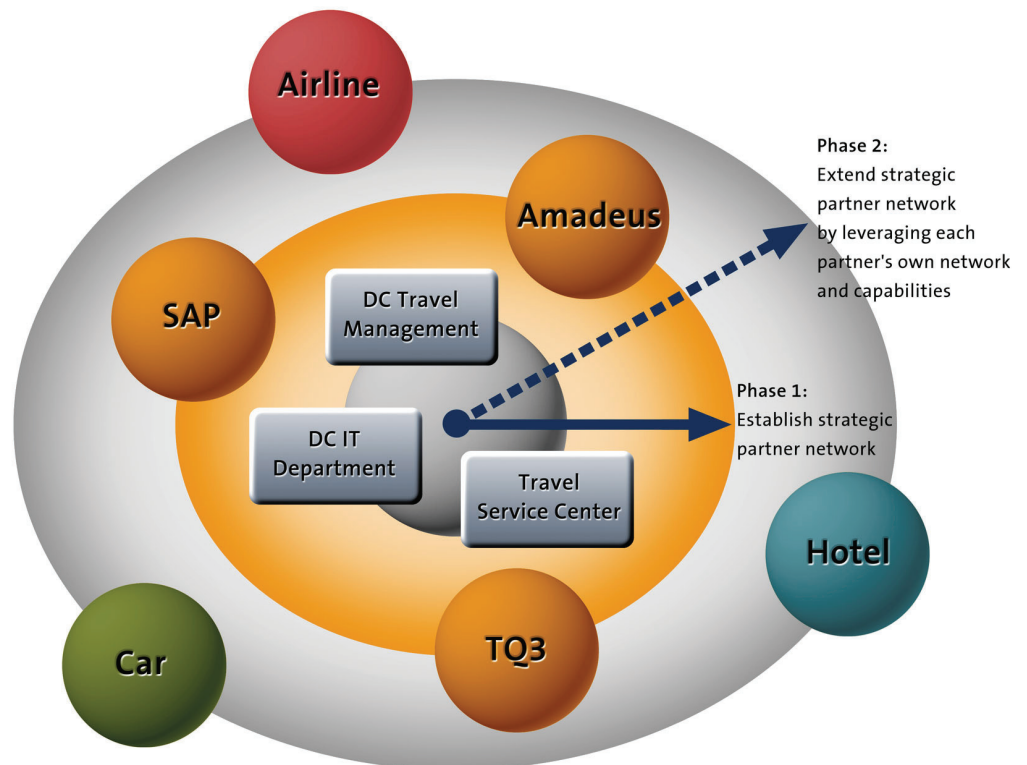
Despite the trend towards one-stop shopping in the provision of corporate travel, market analysis and internal studies show that the reduction of complexity of online systems is of the highest importance. The new interface, developed and implemented in partnership with Amadeus e-Travel and SAP, will be more intuitive and easier to use, providing clearer guidance for customers, as well as useful sources of travel information.

## mySAP ERP



The new platform will provide the technological link to each of the partners, creating a true value chain across the extended network of customer, technology provider and travel service supplier.

## Managing the travel value chain



DaimlerChrysler recognizes that there is still much to be done.

“We still have some way to go to optimize the travel value chain fully,” admits Tinnus, “however, the long-term partnership network we have established with leading players in the travel industry will enable us to achieve our strategic objectives.”

The company aims to remain the benchmark for efficient corporate travel across the world. For other corporations with similar strategic objectives, establishing a relationship of trust with partners is the only way forward.

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