Cracking The Code: Four Ways To Determine The Real Worth Of Corporate Travel

In today's fast-paced global business landscape, determining the ROI of business travel is a crucial endeavour for organisations of all sizes. Not only this, but sustainable travel is becoming increasingly more important.

In fact, UK businesses that fail to offer and encourage low-carbon business travel, risk losing out on top candidates. A recent study of UK business travellers revealed 53 percent would prioritise a firm that supported low-carbon travel over a competitor that did not.

However, measuring the direct ROI of business travel and its environmental impact can be challenging. As can finding the balance between increasing business opportunities, while protecting the environment.

It's true some business results can obviously be directly linked to travel activities, but many benefits are indirect and might not have a straightforward financial measurement. The financial implications, combined with intangible gains, make this assessment a complex yet essential task.

In this article, I provide a guide to calculating ROI for business travel, helping shed light on the key considerations and methodologies needed for successful measurement.

1. Define Objectives

Clearly outlining the objectives of business travel is crucial to ensure that all parties involved understand the purpose and goals of the trip.

Each objective should be clear, measurable, and aligned with the overall purpose of the trip. Providing detailed descriptions can be useful, including:

- The rationale behind the objective
- The expected outcomes or results
- The stakeholders involved or impacted by the objective
- Any specific tasks or activities related to achieving the objective.

You'll need to outline how the success of each objective will be measured and evaluated and define the key performance indicators (KPIs) that will be used to gauge the achievement of the objectives.

Make sure the outlined objectives document is distributed to all relevant parties well before the business travel takes place. It's important everyone is aware and that key company members agree with what is being suggested.

To help guide the evaluation process, businesses should identify specific outcomes that can be measured, like the potential number of leads generated, new partnerships formed, contracts signed, or new markets explored. This provides tangible evidence of the trip's impact and return on investment.

Of course, remember that ROI metrics won't be the same for every business trip and a blanket set of KPIs isn't always helpful. For example, a trip focused on lead generation might have a different set of metrics compared to a trip aimed at relationship-building.

You might need to differentiate between short-term and long-term impact and adjust your metrics to consider both immediate outcomes and more extended benefits as well.

For example, you may build a stronger business relationship with a client, by travelling to a trade show to see them exhibit. This would be an immediate, short-term benefit. But increased sales between yourselves might not happen straight away, so this goal would become the long-term extended benefit many businesses would hope for, further down the line.

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2. Quantifying Benefits

Quantifying the benefits of business travel involves measuring the tangible and intangible outcomes that result from the trips. While some benefits can be directly quantified using numerical data, others might require more qualitative assessment.

Tangible benefits are the concrete, measurable, and quantifiable outcomes that can be expressed in numerical terms. These benefits are typically associated with direct and observable results. They are often financial in nature and can be linked directly to revenue, cost savings, or other financial indicators.

For measurable outcomes of tangible travel benefits, it's important to gather numerical data before and after a trip. This could include metrics like:

- Sales revenue generated during and after the trip
- Number of new leads or contacts acquired
- Higher market share.

For instance, if the goal was to secure new leads, you can measure the conversion rate of these leads and what percentage became actual clients. You can also keep track of how much sales revenue these leads generated.

Interestingly, it's believed likely that companies will secure more business leads if they participate in strategic travel. In-person communication is estimated to be 34 times more effective than virtual alternatives and another study revealed nearly three-quarters of corporate travellers felt face-to-face meetings were more effective than online communications.

Intangible benefits are outcomes that are valuable to a company, but are not easily quantifiable in numerical terms. These benefits are often related to factors that contribute to the overall well-being, success, and competitive advantage of an organisation.

Intangible benefits can be harder to measure since they are not expressed as numbers, but they are equally important.

For example, business travel can be a valuable learning experience for employees, enhancing their skills in negotiation, communication, adaptability, and cultural understanding. It can also provide opportunities for team members to bond, collaborate, and reinforce the company's culture. Recognising and rewarding employees with travel opportunities can even motivate them to perform at a higher level. Studies show 83 percent of workers see corporate travel as a perk of their job and 65 percent of millennials consider corporate travel proof of their significance within their organisation.

The best way to measure intangible benefits, is to gather qualitative data through surveys, interviews, or feedback from employees, clients, partners, and stakeholders. This could include testimonials and success stories, feedback on improved communication and understanding and insights gained from on-site interactions.

3. Compared to alternatives

Evaluating the possible outcomes of reallocating a business travel budget to other activities is another way to see if there really are better solutions to some planned travel opportunities. However, it involves a comprehensive analysis of the potential benefits, costs, and risks associated with all alternative options.

You'll need to determine the specific activities or projects that could potentially receive the budget originally allocated for business travel. These alternatives should also align with the company's goals and priorities.

Assess the potential benefits of each alternative in both quantitative and qualitative terms. Quantitative data tells us how many, how much, or how often in our calculations. Qualitative data can help us to understand why, how, or what happened behind certain behaviours. You'll need to consider factors like revenue generation, cost savings, increased efficiency (quantitative), and improved employee satisfaction, and strategic alignment (qualitative).

You can calculate the potential ROI for each alternative by comparing the expected benefits to the estimated costs. This will help you gauge the financial viability of each option. Assign weights to each evaluation criterion based on their relative importance. Use these weights to score each alternative and rank them objectively.

When making bigger decisions on alternative budget spend, you should gather input from all relevant stakeholders, including employees, clients, partners, and management. Their perspectives can provide insights into the potential impact of these alternatives.

You'll also need to consider the opportunity cost of not investing in business travel. This means thinking about the potential impact on relationship-building, market expansion, and other intangible benefits that business travel offers.

Finally, based on your evaluations, you can compare the scores of the alternative activities listed and make an informed decision. Try not to lose sight of the fact, that you should always choose the option that aligns best with the company's goals and provides the highest potential value, even if this means causing some disappointment for others, on some occasions, if business travel is not the chosen priority.

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4. Use Tools And Tech

To help businesses make more informed decisions about business travel ROI, a combination of tools and technologies can be used to provide data analysis, tracking, and reporting capabilities.

Travel Management Software (TMS) platforms offer comprehensive solutions for managing travel expenses, bookings, itineraries, and reporting. They can provide insights into travel patterns, expenses, and trends, enabling better decision-making.

Expense management software is also useful, as it helps track and manage expenses related to business travel. It can integrate with credit card systems, capture receipts, and provide analytics on travel spending. This is where a travel management company can be useful, as through constant analysis of your business travel spend and booking patterns, your account manager can consult with you on best practices and introduce ways to reduce your business travel costs.

As sustainability becomes more important, tools that quantify the environmental impact of business travel can assist in evaluating the ROI from an environmental perspective. As a travel management company, we recognise the importance of reporting on sustainability. This is why through our partnership with Thrust Carbon we can upload Air, Rail and Hotel data from invoicing systems to produce and deliver reports for any requested period from our clients.

This provides an intelligent calculation of the CO2 emitted by your business travel, considering factors like Aircraft Type, Airline Routing, Class of Travel etc. We can deliver reports Monthly, Quarterly or Yearly which splits the emissions down by elements like transaction type, and company department.

Having produced a report showing the emissions generated we can then provide several carbon offsetting options should the client wish to take this route.

Tools like Expensify or SAP Concur can aggregate travel and expense data from multiple sources, making it easier to analyse spending patterns and identify areas for cost optimisation. Implementing predictive analytics tools can also help forecast future travel expenses and identify cost-saving opportunities based on historical data and trends.

Collecting feedback from employees in the form of pre- and post-surveys can provide valuable insights into the effectiveness of trips and identify areas for improvement.

Remember that the effectiveness of these tools and technologies depends on factors like the company's size, industry, travel volume, and specific goals. Implementing a combination of these tools, customised to your company's needs, can significantly improve decision-making related to business travel ROI.

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Known for his passion and results-driven, innovative approach, Rich brings a unique mix of strategic, creative, operational, and technical abilities to the John Good Group and its operational companies, driving their commercial growth.
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