Savings Through Transparency

Corporations increasingly are recording real savings via use of virtual payment solutions in their travel programs. Virtual cards cut process costs by eliminating paper invoices; they also eliminate the need for manual data entries and reduce fraud. Beyond these widely-accepted savings avenues, a closer look at the data reveals a new reality: virtual cards can drive direct cost savings. Turns out widespread use of virtual cards can alter traveler behavior… without employees realizing it.

What Trick or Treating Teaches Us About Human Nature

Human beings are so sensitive to being watched that even the mere perception influences our decisions and behavior. The psychology experiment "Self-awareness and transgression in children" (Diener, & Beaman, 1976) with 360 children demonstrated this effect: During the Halloween night, the experimenters opened the door to the costumed children, instructed them to take no more than a single piece from a bowl full of candy and left them alone – half the time with a mirror. What they found was that the presence of their own reflection was enough to make them less likely to cheat: The simple addition of the mirror cut the rate of "bad behavior" by almost three-fourths.

But those were children. Surely, seasoned business travelers fall into a completely different category? It turns out that one thing is independent from age: People are more likely to act in normative ways when they feel that their behavior is being observed. This is valid for corporate travel, too.

HRS conducted an analysis of 30,000 hotel bookings by corporate clients, evenly split by bookings before the introduction of a virtual payment solution and afterwards. These solutions allow for central payment of the hotel stays via a virtual credit card that is automatically generated during the booking. Travelers don't have to pay in advance to get reimbursed later, and benefit from quick hotel check-outs, as the invoice is settled automatically between hotel and company.

Traditional "legacy" payment methods typically involve the traveler using his credit card at checkout, with company unaware of the cost of the hotel bookinguntil the expense report is submitted by the traveler. This model represents late 20th century processes that leave the traveler missing out on efficiencies, and the company without a timely view on lodging costs.

Virtual payment solutions give the company full transparency to hotel bookings and individual items purchased onsite. As outlined above, the transparency of the hassle-free virtual payment also unconsciously affects the traveler, and makes them book more in line with the company's interest:

Average room rate

Before implementing virtual payment

€ 112.3

After implementing virtual payment

€ 98.6

-12%

A Measurable Shift

A more detailed look reveals the main drivers behind the drop in the average room rate. While the categories of hotels booked remain virtually the same before and after the implementation of a virtual payment solution, the type of hotel changes. Major chain brands heavily dominated the bookings before implementation (70 percent); once the virtual payment is in place it appears that business travelers get increasingly price-sensitive, and willing to shift their booking towards regional chains and local hotels. Bookings in this hotel segment grew from 30 to 40 percent after the implementation of virtual payment.

As HRS's 2016 paper Think Independent (corporate.hrs.com/int/ThinkIndependent) showed, hotels outside the major brands are able to offer the same level of service at a lower rate. This is due to the fact that chain properties have to take an overhead fee to manage aspects like brand distribution and onsite marketing – fees that are negligible in regional and local hotels.

Travelers Altering Booking & Travel Patterns

In addition to the shift towards regional and local hotels, travelers change their booking and travel patterns in other ways, too. Upon implementation of a virtual payment solution, travelers book their trips earlier, on average a full 11 days in advance! This is a significant improvement over the 8.5 days in advance, which was the average value before virtual payment. The earlier date typically contributes to the lower average room rate.

Not only do travelers book earlier, central payment makes them more reliable: The no-show rate dropped by 15%, which at a time when hotel brands are tightening cancellation policies, likely results in additional savings for corporate programs.
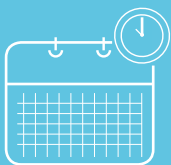
Days before business trip

Before implementing virtual payment **8.5 Days**

After implementing virtual payment **11 Days**

2.5 days earlier

No-show rate

Before implementing virtual payment **4.1%**

After implementing virtual payment **3.5%**

-15%

Centrally, paperless, simple

With Payment Solutions from HRS, the payment and billing of hotel stays is as simple and transparent as possible – for travelers and the accounting team alike. Invoices are broken down to individual items such as Wi-Fi or breakfast with a separately stated value added tax. High data quality improves the basis for negotiations with hotels, and can be used to assist with monitoring compliance to a company's travel policy.

HRS works with renowned partners AirPlus International and American Express, facilitating seamless financial transactions for corporations worldwide. With both proven and new cost savings scenarios increasingly apparent, companies using HRS for virtual payment are at the forefront of hotel program optimization.

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