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corporate travel

BEST PRACTICES
by Susan Avery



Oracle's procurement organization consolidates \$600 million T&E spend

WHEN ORACLE CORP. restructured its travel program two years ago, Ralph Colunga, senior director of global travel, meetings, sourcing, data and card services, built a team of sourcing professionals to manage the enterprise software giant's relationships with its suppliers.

The sourcing professionals on the team are responsible for negotiating with and managing the performance of travel suppliers including travel management companies (agencies), airlines, hotels and car rental companies. And it's a big task because Redwood Shores, Calif.-based Oracle spends \$600 million annually on travel and entertainment.

The travel sourcing team is made up of subject matter experts (SME). Some have meeting planning experience, while others have food and beverage expertise. The food and beverage SMEs, for example, are familiar with menu planning and know what it costs for a hotel to put together a continental breakfast.

"We do things a bit differently in our organization," says Colunga, whose work experience includes having managed hotel and meetings programs for corporations. Colunga reports to the vice president of global procurement at Oracle.

"At Oracle, a travel operations team handles day-to-day tactical issues such as helping travelers retrieve lost luggage, but the supplier relationship is owned by the sourcing team."

Colunga implemented a managed supplier program at Oracle through which he's designated suppliers as tier one (preferred partner), two (premier partner) or three (strategic premier partner). The sourcing team meets quarterly with tier-three suppliers to review progress and performance. "It's a 360 degree review not only in terms of how the supplier is living up to our SLAs (service level agreement), but also how we are performing to our commitments," he says. "It's a very

open and frank dialogue."

The sourcing team schedules the meetings and invites the travel operations team to attend. "However, it is up to the sourcing team to ensure that the supplier reviews happen consistently," says Colunga. "They don't allow the dates to slip. If the operations team can't attend, the meeting still takes place." The sourcing team meets with tier-two suppliers twice a year and tier one annually.

MANAGING GROWTH. When Colunga assumed his current position, the travel spend at Oracle was not unlike that at many global companies that have experienced tremendous growth over the past few years. In the two years since he went to work for Oracle, the company grew from 44,000 employees to more than 70,000—many of whom are salespeople and consultants who travel the world meeting with the company's customers.

"We had regional programs in place and as we looked at it, we felt that decentralization was leading to organizational misalignment," he says of the state of the company's travel policy then. He restructured the organization, re-allocating roles and responsibilities. He focused on developing strategy that would ensure the team would meet targeted goals in terms of having best-in-class programs.

"During our discovery process, we determined that we had 91 travel agency sites servicing Oracle worldwide," he says. "We had 73 different booking methodologies, 365 different price points and multiple global distribution systems (GDS) and online booking applications."

He and his team consolidated spending with travel management companies to one supplier, Carlson Wagonlit Travel (CWT) in Minneapolis, and created 10 business travel centers worldwide. CWT was the incumbent

Oracle implemented GetThere in September 2006. Today, travelers use the tool in more than 23 countries. At each location, compliance is more than 95%.

WHAT IT MEANS TO BUYERS:

- Dedicate a purchasing professional with experience at managing travel to the buy.
- Consolidate the travel spend. Travel is one category for which there are some global suppliers. Where there are not, think about negotiating regional agreements with suppliers.
- Use of an online booking tool helps steer travelers to preferred suppliers, reducing cost and risk.

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supplier for many of Oracle's locations around the globe.

"Certainly having 91 of anything is hard to corral," says Colunga. "We didn't have economies of scale in terms of leveraging our spend with our key suppliers, nor did we have the right applications in place in order to move toward goals of simplifying, standardizing and automating."

In selecting a supplier, procurement looks first for companies that can meet Oracle's requirements globally (then regionally and locally).

"We are taking great strides toward being the customer of choice for our suppliers," says Colunga. "We want companies to want to do business with us. Our approach is very much one of being fair with our suppliers. For example, we want our suppliers to make a profit. That's never in question. What is in question and negotiable is how much profit they make. And, we very much believe that it's important to work toward a common vision and align ourselves with companies that are like-minded."

Similarly, Colunga and his team consolidated the number of suppliers in Oracle's hotel program. Oracle had four programs in place, one for each region of the world where the company does business. In the first year, the travel sourcing team removed more than 500 independent hotels from the program and aligned the company with such key suppliers as Hilton, Marriott and Starwood. They ne-

gotiated agreements with these hotels and started moving the company's transient business to them. Now, for even greater economies of scale, they are focused on moving its meetings business to the suppliers.

AUTOMATING PROCESSES. In September, 2006, the procurement operation implemented use of booking tools from GetThere, a provider of online business travel technology in Southlake, Texas. Oracle does not mandate use of the tool in its travel policy, but Colunga and his team communicate its value to travelers through procurement's website and a quarterly e-newsletter.

Today, travelers use the tool to book travel in more than 23 countries. Colunga says procurement is on track to have the tool up and running in 44 countries by May 2008. They introduce the tool to travelers in one country every three weeks or so.

At each location, compliance is more than 95%, he says. Such a high compliance rate is due to several factors: one is that employees at Oracle are very tech savvy (they are told upon hiring that the company does everything on the Web). Another is the ease of use of the tool which has a consumer look and feel, similar to that of the Travelocity online travel booking tool. A third is Colunga and his team's efforts at communicating value of the tool to the company's businesses.

"Use of the tool helped propel our ability to lower operations costs substantially," he says. "I targeted a 40% reduction in operating

expenses in two years and we will exceed that." That reduction, he explains, stems from a significant improvement in productivity at the company's travel centers. Spending less time on the telephone with travelers at Oracle and fulfilling requests means the travel management company can become more involved in other, more strategic activities. It's also reduced transaction processing fees, which dropped 35% even as number of transactions increased 50%.

Use of the tool improves compliance with Oracle travel policy and use of procurement's preferred suppliers. "Today we are at about 93% use of our top two suppliers," says Colunga. "That change has moved about 12 points in the past year. It's significant in our ability to shift business away from nonpreferred suppliers which can not only be more costly, but also can expose the corporation to more risk. It's key to us to push that business toward preferred suppliers with whom we negotiated insurance coverage to protect the corporation."

Use of preferred travel suppliers also aids Oracle's ability to track employee travel should the need arise for the company to provide assistance.



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Oracle uses Web tools to communicate policy

Ralph Colunga, senior director of global travel, meetings, sourcing, data and card services, at Oracle Corp. says he and his team "have made great strides in communicating our travel policy to employees."

They started a quarterly newsletter for the administrative community. "We reach out to admins, advising them of our global travel program in terms of our strategies with airlines, hotels, car rental companies or any new changes coming out resulting from changes in airline policy."

The procurement operation at Oracle also publishes a newsletter called the Commodity Exchange for the company's businesses. The newsletter addresses issues in procurement, of which travel, meetings, sourcing, data and cards services is an important element. Procurement also regularly e-mails employees with news generated by its organization. "Communication, making people aware of our relationships with suppliers and our travel program, is critical to our success," he says.

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