



Confidence From Market Data: Travel And Transport

Travel and Transport, founded in 1946 as a private travel management company, has a long and successful history. While it does serve the consumer market, the company's focus is on domestic and international business travel for clients like T-Mobile, New York Life, and Kiewit Corporation. In 2002, the company became a 100-percent employee-owned organization and now has 1,800 people in forty-four states and four countries. In 2015, it was named the 2015 ESOP Company of the Year by the ESOP Association. In the last six years, it has tripled its share price. After that kind of success, it sounds like that could be the end of a great story; actually, it was just the beginning.

There is no question that the employee ownership of this company creates a strong culture which has been a market advantage of Travel and Transport's for some time. With employees having a stake in the company, they are encouraged to take personal interest in clients' satisfaction and to provide agile and responsive support to all customers. Travel and Transport takes pride in being a high-touch organization.

At the time we started working together, there was a confluence of two events: New leadership that desired greater strategic clarity, and disruptive market forces putting pressure on the existing model of the managed travel industry, which is growing at about 4 percent yearly. As with many industries, these shifts are accelerating and will impact the traditional avenues for growth.



Specifically, international travel is increasing at an expanding rate, and the infrastructure to accommodate it needs to keep up. Technology is an essential enabler in new product innovations that increase traveler convenience, as well as the efficiency of managing travel for both provider and client. As in every industry, client companies want more value for the dollar. While Travel and Transport is ranked in the Top 15 of *Travel Weekly's* Power List, at \$3.2 billion in 2017 sales, they are far from the largest. Expedia holds that honor, with \$88 billion in sales. Resources have to be deftly managed. Margin dilemmas are presenting themselves more often as market demands for this high-touch company to offer low costs escalate.

For Kevin O'Malley, who stepped into the CEO role in 2015, the fundamental question on the table was, can the company keep growing at this rate and if so, how? He needed the organization to determine what part of the company's historical model should be preserved, what should be challenged, what the best growth path to take was, and how it could be more deliberate in their growth and better manage where it applied limited resources. Before attempting to answer those questions, leadership conducted a deep dive into market and internal data.

Through market intelligence some important discoveries emerged.

Customer focus and prioritization. The data revealed that not all customers were created equally. Not all industries were experiencing the same growth regarding their travel needs, and it afforded Travel and Transport an opportunity to assess which industries with which they might establish more alignment. One consideration is understanding which industries have tailwinds. Growing customers will naturally increase their business volume, while those dealing with negative industry trends may shrink business travel.



Service development and management. As most services companies know, customers require the provider to develop interfaces for their systems that demand technological investments on behalf of the provider. Even more importantly, in this industry, they expect custom-designed services to track and manage their travel. Studying the correlation between amount of air travel, type of travel services needed, and/or preferences for how travel services are delivered by the prioritized industry enables Travel and Transport to focus resources on the type of business travel services most valued by their prioritized segments, and thus align their high-demand technological capability where it can get the best return.

Opportunities for differentiation. If not all customers are created equal, then by default, they don't all have the same needs, and not all providers will win with the same approach. Travel and Transport knew going in that they were a high-touch company and technological innovation was an important key to the future. They had already developed apps, like Dash Mobile, and invested in DVI (Data Visualization Intelligence), which has the potential to lead the change in how travel business is managed. Thus, they had the opportunity to win by showcasing their strengths and saying no to prospects who were focused exclusively on the lowest price. For the first time, Travel and Transport didn't sweeten every deal with a red pencil but with innovation and valued services. Not every customer sees the value in that, but the right ones—the ones Travel and Transport could partner with most effectively for a long-term win-win—certainly do. In turn, that helps Travel and Transport better manage margin pressure. And those extra margin dollars can be reinvested in developing more innovative services for targeted customers.

Market trends shape solutions. There were at least three market trends that had a significant impact on how Travel and Transport chose to approach the market going forward:



- **Traveler-centric.** With more millennials in the workforce, there is a greater comfort with, and expectation for, the convenience of digital communication and real-time data management. Being available when the traveler needs something, focusing on the productivity of the customer on the road, and ensuring the traveler only travels when they really need to are important goals for a high-touch business supporting companies that value their employee's well-being.
- **Corporate productivity.** Who among us doesn't understand the value of increasing productivity through efficiencies? Travel is generally seen as an area of expense in companies, even though the purpose of travel is to generate a positive influence on revenue, often through more sales and better training. We all know that one of the first areas to get cut in an economic downturn is travel. Helping client companies improve their productivity is essential. Part of the transformation needed is to become more than a provider, but also a contributor to improved productivity through systems, technology, advice, and ideas. Getting travel partners to manage travel with an ROI mindset, which accounts for what is accomplished (not just what is spent), means conversations need to happen with leadership as well as accounting and logistics management—an opportunity to switch from the role of vendor to partner.
- **International.** With increased globalization, there is increased international travel. A number of technical considerations regarding the infrastructure are required to be an effective provider of international travel services. As mentioned above, not all industries have the same demand for international travel. In addition, business travel to some international markets is growing faster than to others. Travel and Transport



is strategically increasing their capability of supporting high-growth global travel markets with a combination of acquisitions and partner development.

Traveland Transport used this analytical period to understand what data they had that they weren't using, as well as data they needed but didn't have. As a result, they are now making data-driven decisions.

What has changed?

They now say no. That may be one of the most difficult things a company can do. And it doesn't happen without an abundance of ConfidenceDNA. They have learned where their strengths lie and how to leverage them. They know that strategy is a choice, and they have made tough decisions and intend to stick with them. They are clear on which customers they can best serve; they understand where to invest scarce resources; and they understand the value of everyone in the organization working together on the same short list of high-priority projects. They have a new process to aid in prioritization and are learning to say no to the next shiny thing.

They understand resource utilization. They discovered where they were spending valuable resources with little return, and the potential impact of investing in fewer but more important products, markets, and systems.

They have defined their competitive advantage. Very few things make a company truly stand apart from its competitors. Most companies say the same things and provide the same services. Travel and Transport has done the hard work to determine how they are different, where they are truly unique, and how to build on that difference and create even greater separation between themselves and their competitors in their chosen market space.



What is the impact?

In 2018, Travel and Transport grew at more than twice the rate of other companies in their same space. To ensure effective implementation and results continue to meet or exceed goals, they have done some reorganizing, appointing a senior vice president and officer of strategy and communications. They are involving a much broader group of employees in the implementation stage, enlisting them on task forces responsible for strategic initiative development and implementation. Communication is an ongoing effort that will enable two-way communication about what is changing, why, and how employees can contribute.

“For many years, our company was very successful despite the fact that many decisions we made were more from the gut than based in fact or data driven. As we became larger, and our industry became more complex, we figured out we had to slow down a bit in order to speed up and make the right decisions. By taking the time to look at the data and then make strategic decisions, our ConfidenceDNA grew, and it really started making what had been hard decisions much easier.”

— Kevin O’Malley, CEO, Travel and Transport

Long-Term Strategic Clarity In A Shifting Environment: John Knox Village

John Knox Village is a life-plan-community founded in 1970. This not-for-profit organization is recognized as one of the most comprehensive communities of its type in the country. It provides independent living, countless services and amenities, and a full continuum of long-term health care services on its 400+ acre campus. The organization’s vision is to be the leader among senior living communities in its market area.



A pillar in the industry and the community they serve, Lee's Summit, Missouri, John Knox Village led the way in responding to senior care trends and needs until the real estate crisis in 2009–2010. Like others in the heavily asset-based industry, leaders hunkered down for a few years as they overcame the many challenges faced across the board in their industry. By 2012, it was time to address some hard facts.

The lack of investment dollars available in the industry over the previous few years had left many behind the curve on addressing a rapidly changing target market with different needs. Seniors had become more active, with higher expectations for their living environments. If they weren't going to age at home, they wanted spaces that felt like home — larger, and with more amenities.

As a leader in the industry, it was important to John Knox Village to honor its vision and reinvest in being the leader in senior living. The extensive data analysis conducted on the front end — tracking industry trends, analyzing current property conditions and housing inventory, benchmarking other facilities — led to a courageous commitment to a long-term redevelopment plan that would not only bring the campus up to speed but also position the village to *wow* residents of the future.

The scope of the plan was significant. Not only were the leaders making up for lost time and had to move quickly; they also had a large campus to upgrade and needed to make highly visible moves that could change perceptions of the entire operation, while recognizing that the degree of change needed to respond to shifting trends in senior care expectations was significant. There was a sense of urgency, as competitors were building new sites that had the potential to dent John Knox Village's longstanding leadership.

The 2020 Plan was created to develop a comprehensive strategy for dealing with these challenges. The strategic work took a long, hard look at the existing business model before acknowledging



that there was a more-than-adequate demand and revenue pool to continue to support the life-plan-community approach. Leaders spent countless hours redefining and tightening their target market and developing the financial model that would be a win-win for them and their residents. They stopped managing each function of the community — independent living, assisted living, skilled nursing care, dining, upkeep, activities — as distinct functions and started looking at them as integrated services through the eyes of the residents who would live there. All of these areas had to work together to deliver the desired benefits. Changing one required changing others. Finally, it was also realized that *how* services were delivered mattered just as much or more than the facilities themselves. The plan included a commitment to a resident-centric hospitality culture.

Over the next year, leaders focused on taking ClarityDNA to the next level. They put together the work teams necessary to institute their plan for boosting their long-term performance and securing their leadership position. They developed a long-term campus redevelopment plan that phased the work over more than a decade. It includes multiple styles of housing, from villas to high-amenity condos. In the near term, they focused on high-visibility space that would signal the intent for the entire campus. And amenities were upgraded along with the living spaces to offer a commensurate lifestyle — more and better dining choices, a new theatre, and improved outdoor spaces. The new construction has been well-received and they are on track for implementation of the remaining facility development plan.

To ensure ClarityDNA was diffused throughout the entire organization and employees were knowledgeable about the future, leaders created an employee group, nicknamed P.R.I.D.E. (Personal Responsibility In Delivering Excellence), to drive their culture efforts. This rejuvenated culture has been integrated into hiring processes, behavioral training, and recognition programs. While always providing top quality services and



healthcare, John Knox Village has raised the bar to meet the highest standards in their industry, preparing to secure status as one of the quality elite. The marketing message and pricing options were recrafted to appeal to their redefined target. The goal was to shift to an emphasis on long-term residents willing to invest in their future, known as entry-fee residents, rather than leasing residents.

Every year this organization further refines its strategy and takes the next step forward. This organization not only has had an extremely clear and detailed plan, phased out for over a decade, it has diligently worked the plan and is seeing results line up with goals in all facets of the organization.

Here are four areas of key results.

Target resident mix. John Knox Village has been successful in selling the preferred type of entry-fee contracts and has shifted the mix of entry-fee residents to 60 percent of move-ins in 2018, up from 20 percent in 2013—tripling the percent of new residents with long-term financial stakes in the organization.

Operating margins. With the new financial model, operating margins are forecasted at four times the level prior to redevelopment.

Cash flow. The organization has sequenced the plan to phase investments, managing cash and debt. New projects are undertaken as current projects reach financial targets.

Resident and employee satisfaction. Regularly conducted surveys show that satisfaction is up all around the campus, with employees and residents both referring more prospective residents to John Knox Village.

What is the impact?



When John Knox Village undertook a ten-year plan, they knew that the payout would not be immediate. There were some initial investment years while construction projects got underway. Buildings had to be torn down and new ones needed to be built before they could begin to reap the rewards. Throughout the planning period, John Knox Village has made progress in its leading indicator metrics, showing the plan is working. Six years in, it is on track to realize significant gains in margins and cash flows. Dan Rexroth, President and CEO of John Knox Village, reminds us that plan clarity encourages perseverance to see the plan through. Having a crystal-clear vision, along with well-documented success metrics and financial timelines, helps provide the courage to stay the course.

In the next few years, John Knox Village will continue to work the plan, completing current projects and undertaking new ones. The organization's leaders are cognizant that the senior living market is evolving quickly and are staying on the front end of changes. They challenge themselves to identify and evaluate the next round of *wow* ideas, whether those are additional amenities like a dog park or a hydroponic garden, technology applications, new trends in living like cohousing, or evolving health care with an emphasis on lifestyle living no matter what stage of health care is being provided.