

Lola.com's ultimate guide to corporate travel per diems.



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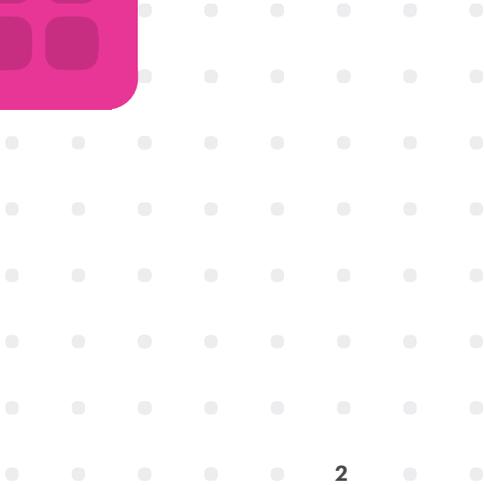
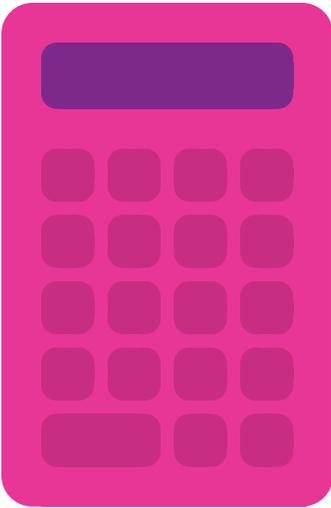
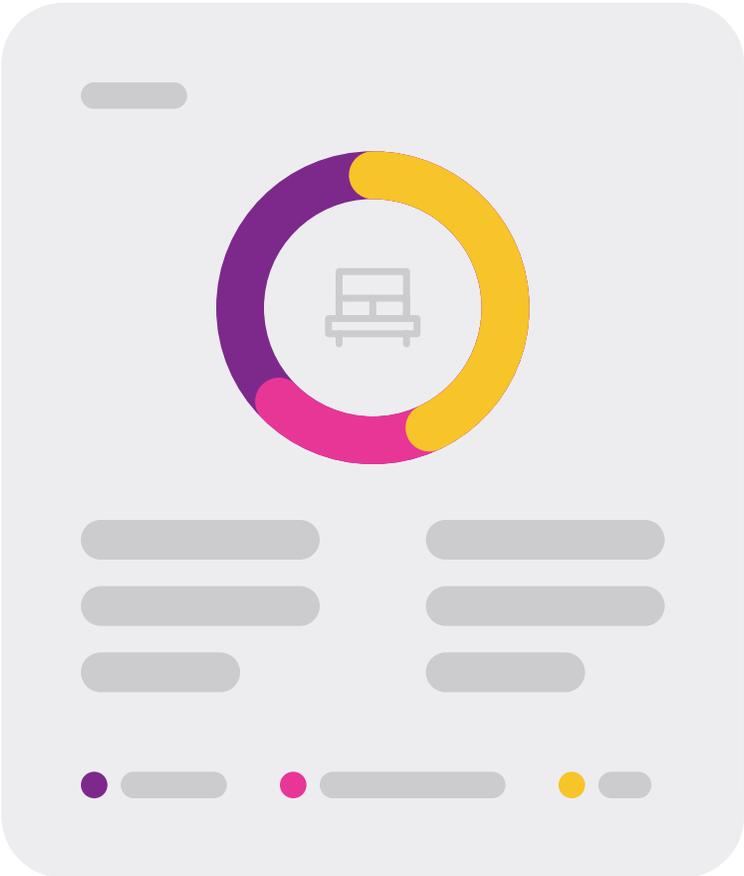
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If you are in charge of managing your company's travel budget, then you know how much goes into deciding how your employees can spend company money while on the road. Not only are there federal rules and regulations around what to allow, but you also need to keep in mind the experience of your travelers, and your company's bottom line. This guide will show you how to incorporate correct per diems into your travel policy, how to set the right guidelines that will benefit both your travelers and your company's budget and give you some tips on how to reduce costs where possible.¹

¹ Be sure to consult with your accountant and attorney for any tax and legal advice.

What is a per diem

Plainly put by Merriam-Webster, a per diem is an amount of money that someone is given for daily expenses, such as food and taxis. But as the keeper of the budget, you know that a per diem is so much more. It's the amount of money that your employees are allowed to spend on their meals each day, and the nightly rate of a hotel room. It's the amount of money they will be allowed to expense, and therefore be reimbursed for. If your employees don't adhere to your company's guidelines, they risk not being reimbursed the full amount they spent, which can lead to some very unhappy employees. If you don't set the right per diem rules then your employees could be overspending company money or staying in sub-part accommodations. Neither of these things are good for business.



Where to start

If you don't currently have a travel policy, it can seem overwhelming to create one from scratch. Luckily, we have put together some tips that will help you get started. Using this outline you can start to add the right options for your team, based on your budget and company culture.

- **Keep it short**

A few pages at the most.

- **Stick to the basics**

Only include options that are relevant to your company. Hotels, flights, meals and alternate transportation options.

- **Make it easy for employees to find**

Make a digital copy and ask your employees to bookmark it.

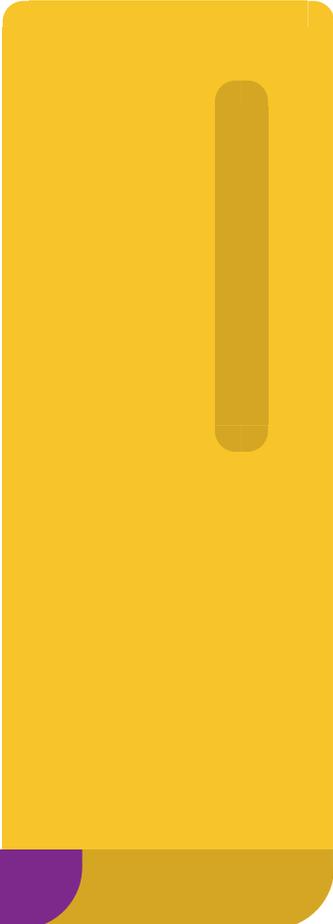
- **Advertise the proper booking process**

Write a quick email to your team outlining where they should book, when they should submit expenses and where they can find your travel policy.

Now that you have the basics of how to create a good travel policy, let's get into the details about meal and hotel per diem guidelines.

Meal per diems

Rates Per diem rates are comprised of two things: The IRS approved rates, that allow your company to deduct them as business travel expenses, and the company determined rates that you allow your employees to spend in order to give them a comfortable and productive travel experience. As I'm sure you know, prices for meals across the country vary drastically. It's important to keep this in mind when setting your meal per diem rates. Your employees should spend the appropriate amount based on where they are traveling. You should stay up to date on all of the [latest rules](#) and regulations, because these things change frequently.



The right process To set meal per diem rates for your company, and to make sure your employees follow them, take these steps:

1) Share [this tool](#) from the General Services Administration (GSA) website with your employees. Ask them to look up the recommended per diem rates for meals before they go on a business trip. This way you know they have the most up to date information and you can also be sure your company is following the correct guidelines for tax purposes.

One thing to note here, the GSA gives you a per day, and even goes so far as to break it out by meal. To make travel easier, let your employees stick to the per day rate, and don't make them stick to the per meal rate. The last thing you want is an employee accidentally spending too much at lunch, and then feeling like they can't order a proper dinner because it will be more than the allowed dinner rate.

2) Try, learn and iterate. If you have travelers that are frequently visiting certain locations, make sure you ask them if the recommended per diem rates they are being shown are working when they're on the road. If for some reason your employees are having a hard time sticking to the set budget and you see from their receipts that they aren't eating extravagant dinners or expensing their mini-bar purchases, then it's time to adjust the meal per diem guidelines in that city. You don't have to go crazy with the meal allowance, but make sure you are providing your travelers with a reasonable budget.

3) Make it easy for employees to submit their meal receipts. We've touched on how to set the right rates, but what good will that do if your employees aren't submitting their receipts? The easy way to fix this is to eliminate paper receipts, and ask your employees to submit everything digitally. As soon as they get a receipt, just have them take a picture of it. If you implement an expense program that allows them to automatically upload the receipt to be reimbursed, even better! Not only will you make it easy for them to submit their expenses correctly, but they are much more likely to submit them on time if all they have to do is snap a picture of it.



To make travel easier, let your employees stick to the per day rate, and don't make them stick to the per meal rate.

Reducing meal costs

Once your travelers get comfortable following your travel policy, and adhering to the meal per diem rates you've set for them, give them some ways that they can save the company money at mealtime while still having a good travel experience. Here's what we recommend:

Teach them about the hotel amenities that will help eliminate overpriced restaurant food.

There's a lot that goes into choosing a hotel and there are certain features that will help reduce costs when it comes to mealtime.

- **Free breakfast** This could be continental or a larger buffet offering. Either way it takes away an entire meal cost from their daily per diem, and gives them a convenient option that they don't need to go out of their way for.
- **Kitchenette** For longer stays, have your employees book a place with a kitchenette, that way they can cook their own meals for some of their stay. [Homewood Suites](#) offers a kitchenette in every room, [Staybridge Suites](#) has kitchenette options and a free daily breakfast buffet, and [Residence Inn](#) gives them a kitchenette, breakfast buffet, and grocery delivery! Business travelers can call in advance to have groceries waiting in their room when they arrive.
- **Mini-fridge** For times when there isn't a hotel with a kitchenette available, make sure there is at least a mini fridge in the room. If your team goes out for lunch or dinner and has leftovers they'll be able to store it for later, which means they are eliminating another extra meal.

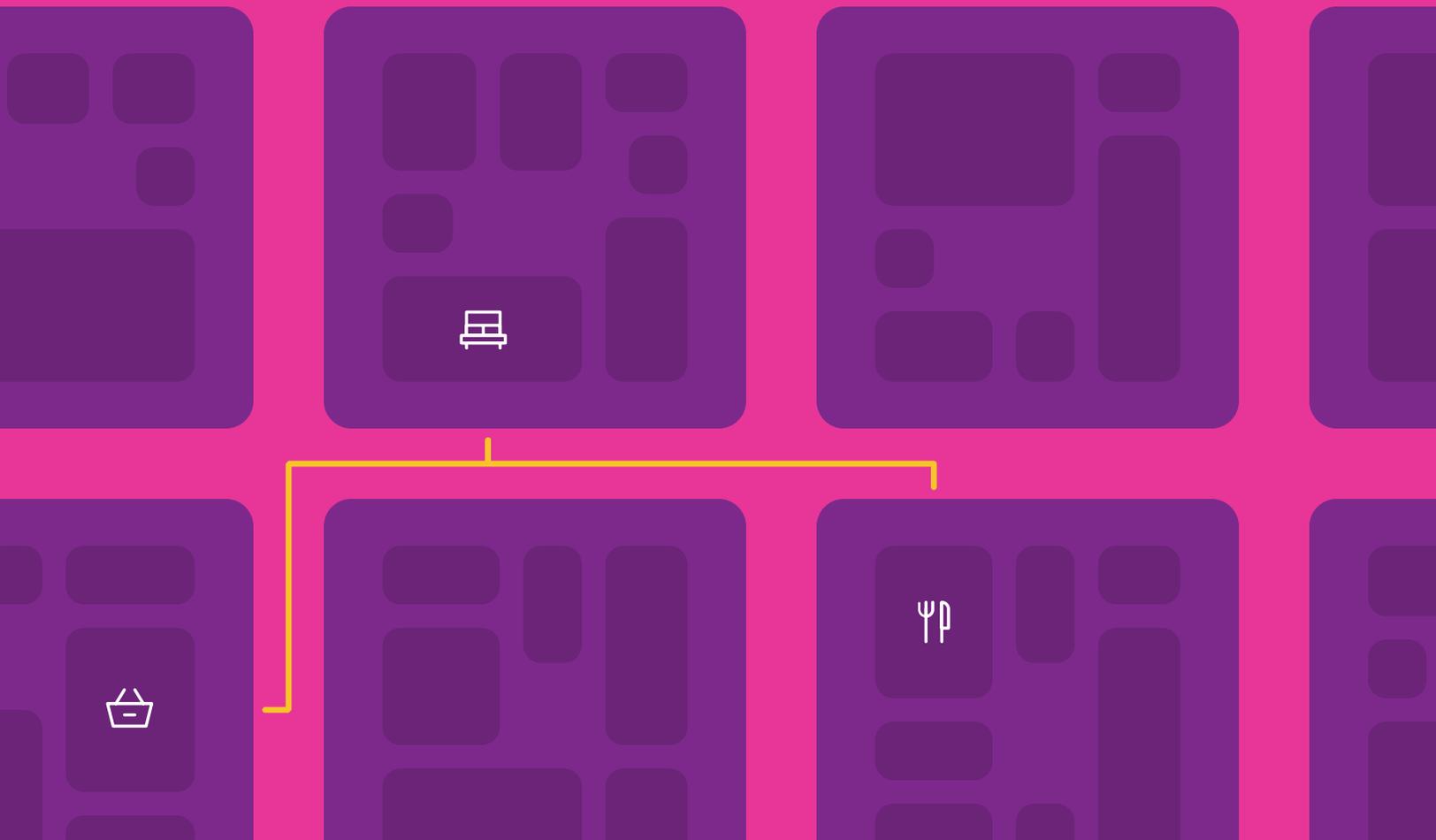


Teach them about the hotel amenities that will help eliminate overpriced restaurant food.

Encourage them to do some research before their trip.

A little planning can go a long way towards making the whole travel experience better, especially when it comes to where your travelers will eat while on the road. Here are a few things they should check out before they leave:

- **Nearby grocery stores** If a traveler already knows where the closest grocery store is, they will be much more likely to do some shopping there instead of eating out at a restaurant for every meal.
- **Nearby restaurants** After your traveler searches for how much they should be spending per day on meals, have them look at restaurants near their hotel or meeting space. If they find a few restaurants with pricing in line with what they should be spending, it will be a lot easier for them to stay on budget when they arrive.



Hotel per diems

Rates Just like the cost of meals will change based on location, the nightly rate at hotels is drastically different depending on where your employees are traveling. Sticking with the GSA recommended per diem for a nightly hotel rate is much harder than adhering to the meal guidelines. This is because the GSA guidelines are based on several different factors, one of which is the type of property, as ranked by STR Global. The rankings are broken up into different tiers based on the size of the hotel, amenities offered, and other information they have collected. Because the GSA per diems are set using data specifically from mid-range hotels in each market, they are reporting on mid to lower tier hotels, which might not always be the best option for your travelers. Mid-scale, upper midscale and upscale are going to be the tiers that offer the best amenities for business travelers, without being overpriced.

Setting smart hotel guidelines GSA's pricing info is a good way to start when you don't currently have any guidelines around what your travelers should spend on hotels. But when you're ready to take the next step, try implementing dynamic hotel pricing, which is real time, up-to-date pricing info that changes based on the city. The difference? Instead of taking pricing from just one tier of hotel, dynamic pricing looks at all tiers of hotels offered in a city, and comes up with an average based on that. With this method, you can ensure you are providing your travelers the same level of comfort no matter where they are traveling, and that you are being smart with how company money is being spent.

Wondering how to implement dynamic pricing at your company? Consider working with a travel management solution like Lola.com. Schedule a demo with our team to learn more.

Why you shouldn't set a blanket price across all cities

Another common error companies make in their hotel guidelines is picking one nightly rate for employees to stick to across all cities. While this may seem like a simple solution to a hotel pricing problem, it actually makes everything more complicated for both the person in charge of the budget and the person traveling.

Let's look at an example:

With a regular hotel cap of \$300 a night, an employee traveling to Atlanta, GA could stay at the InterContinental (about \$247/night) or The Westin (about \$274/night). These are both well-known, reputable hotels with tons of amenities aimed at business travelers.

If another employee was traveling to San Francisco with the \$300 per night hotel cap, the same hotel brands can cost anywhere from \$400 per night and up, depending on the time of year. These hotels aren't overly extravagant by any means. In fact, they are a great option for your business travelers. But for under \$300 a night, the only options available in San Francisco are some small boutique hotels and hotels with less than stellar reviews, far from the city center (where your employee's meeting will most likely be).

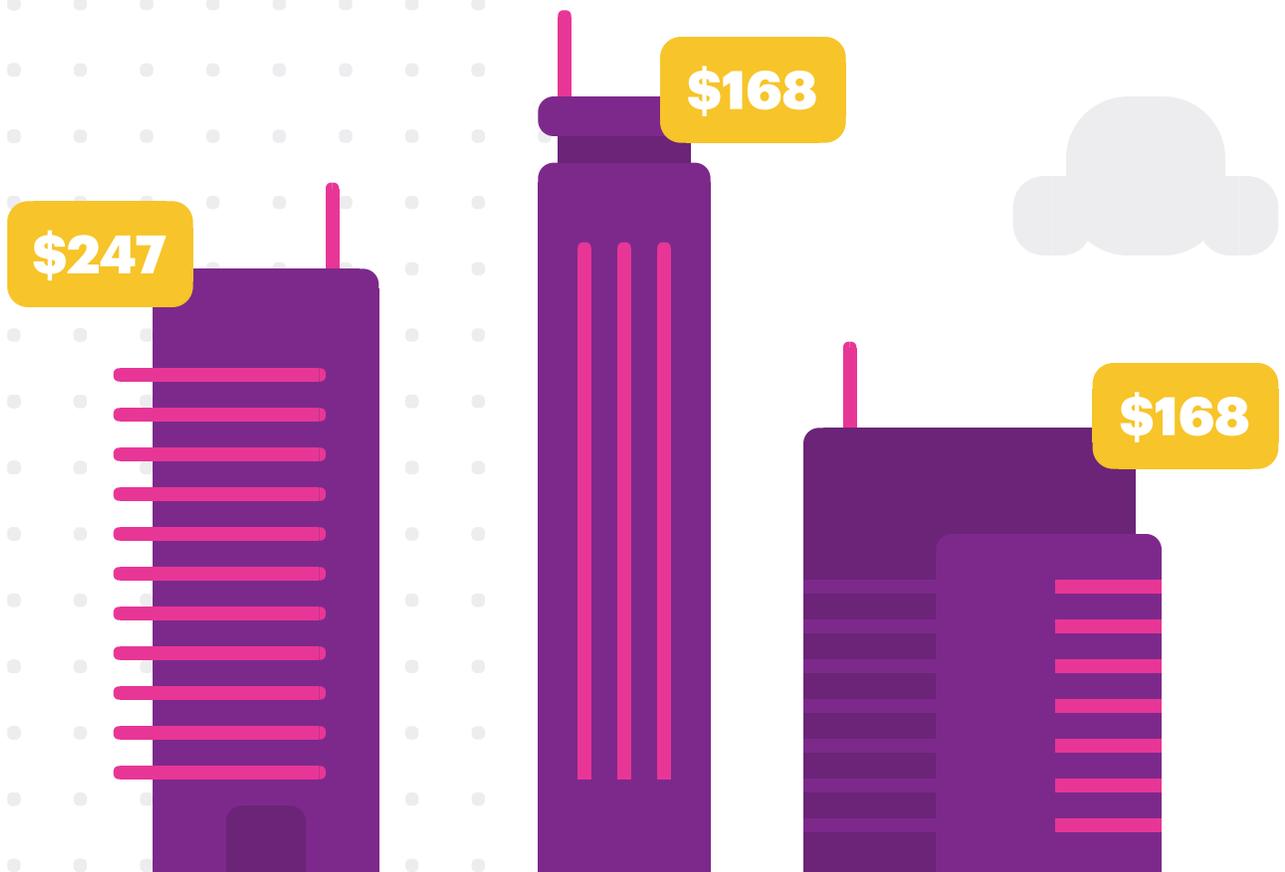
In this scenario, an employee traveling to Atlanta is going to be comfortable, happy, and productive because he or she is staying in a hotel that caters to business travelers. The employee traveling to San Francisco is going to be uncomfortable, stressed, and less productive because he or she is staying in an unfamiliar hotel, without business traveler amenities, in a location far away from their meetings.

Just to bring everything back full circle, the recommended per diem from the GSA website for San Francisco at the time this ebook was written is \$299, which again, could put your employees in a subpar hotel that is probably a long way from their meeting.

A common error companies make in their hotel guidelines is picking one nightly rate for employees to stick to across all cities.

How dynamic pricing can save your company money Let's look at this same example again. The two hotels in Atlanta are great options, and are under \$300. But there are similar hotels with great business travel amenities for even less than the \$247 price tag of the InterContinental. The Marriott is \$194/night. The Grand Hyatt is \$169. These prices are very reasonable and well under your \$300/night cap. If your employee booked the Grand Hyatt for \$169/night, they are saving you \$131/night before taxes. That's huge! And now letting your employee book a hotel slightly over \$300 a night in San Francisco doesn't seem so bad.

Setting dynamic pricing means that you're acknowledging to your employees that you're willing to spend more to ensure that they are comfortable when on the road. At the same time, you'll be saving the company money by automatically setting lower nightly rate caps in cities that are more affordable.



Other incidentals

Something a lot of companies forget to include in their travel policy is a daily incidental rate. Incidentals could include tipping a taxi driver, or the person bringing room service. They are generally small amounts of money and most of the time they are paid in cash. The IRS allows a deduction of \$5 per day for incidental expenses. Because of this very small amount of money, most companies don't set a budget for their employees. This can cause two issues:

- 1) Your employees overspend on extras because there is no published cap and they don't need to keep their receipts if it's not part of the policy. Then you are forced to reimburse them for purchases that you shouldn't be paying for.
- 2) Your employees use their own money to pay for things because they aren't sure of the process, or what is allowed. Then you are left with unhappy employees who don't want to travel because it costs them money out of their own pockets.

What to do instead Break out "incidentals" into categories that your company wants to pay for, and that you know your travelers need while on the road. Some examples of these things are:

- Uber/taxi rides
- Tips (room service, baggage handlers, hotel housekeeping)
- Wifi (in-flight and hotel wifi are not always included in their ticket price or nightly rate, but are essential to making sure your employees are productive on the road.)
- Unpredictables – here's where you want to talk to your team to see what kinds of issues they run into while traveling. For example have your employees ever been in a situation where their luggage arrived a day later than they did during a business trip? Your company should pay for a day's worth of clothing if that is the case.

Your travelers should know that these types of things are reimbursable, and that they should collect receipts for these whenever possible. Remember, if you implement a program that allows your travelers to snap a picture of their receipts at the time of purchase, they won't have any issues accounting for incidentals.



Wondering what your employees spend money on while traveling? Just ask them! Send out a survey, and make your incidental list based on the results.

What to do when your policy is abused If an employee takes advantage of your travel policy, don't punish the whole team. Doing so will restrict all your travelers, and ultimately give them a lousy travel experience resulting in an unproductive trip. Take the offender aside as soon as you notice a problem, and talk to them about it. Abuse of a travel policy should be handled on an individual level. After all, a one-size-fits-all policy doesn't work because all cities and all travelers are not the same.



Traveling employees represent your business, and their goals are to learn better skills at a professional development opportunity, close business with a new client, maintain a great relationship with a current client, or make your brand proud at a conference. All of these things help your company, so it's important to make sure your per diem guidelines keep employee happiness in mind. Finding a balance between your budget and your traveler's comfort will result in successful trips. Everyone is happy!

ABOUT LOLA

Lola.com is the super-simple solution for corporate travel management. Perfect for companies big and small, Lola uses powerful AI technology and 24/7 proactive support to help business travelers book trips with ease while providing travel managers with simple tools to create travel policies, view budgets and monitor the business travel of all team members.