2016

Corporate Travel Card Benchmark Survey Results

Market Trends and Best Practices

EXECUTIVE SUMMARY

RPMG Research Corporation

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Executive Summary Edition

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PREFACE

We are pleased to present the Executive Summary Edition of the 2016 Corporate Travel Card Benchmark Survey Results. The report is based on data and analysis from over 1,300 travel card-using organizations across the U.S. and Canada, and aims to identify and understand market trends and the factors that influence the use of and benefits associated with travel cards. Our analysis of the survey data is divided into three documents to assist the reader in finding the desired information in the most convenient manner, as follows:

- Market Trends and Best Practices (the "Main" report)
  - Analyses of current trends in travel card use,
  - In-depth examination of factors critical to the success of travel cards, and
  - Identification of future trends and growth opportunities for travel card use.
- Program Profiles by Organization Type and Size
  - Benchmark data to evaluate travel card programs, broken down within corporate (by size and industry) and government and not-for-profit sectors (states and state agencies, city and county governments, colleges and universities, schools, and not-for-profit organizations).
- The Issuer's Role in Travel Card Program Success
  - An examination of customer satisfaction with and importance of travel card features and services (across economic, data transmission, service and support, reporting, integration, and card management factors) and how they affect travel card program performance.

This edition only contains the executive summary for the main Report (Market Trends and Best Practices). Complete copies of the results can be obtained at http://www.RPMGresearch.net.

We want to express our sincere thanks to the organizations and card issuers that participated in the Survey and offered their valuable input. We hope that the unselfish commitment of their time results in more efficient means to pay for travel.

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EXECUTIVE SUMMARY

In December 2015, the "2016 Corporate Travel Card Benchmark Survey" was released to 6,013 travel card program administrators at organizations that were either customers of one of thirteen major card issuers (including Bank of America Merrill Lynch, BMO Harris Bank, Citibank, Comdata, Elan Financial Services, HSBC, JPMorgan Chase, PNC Bank, Scotiabank, SunTrust Bank, US Bank, US Bank Canada, and Wells Fargo) or members of the National Association of Purchasing Card Professionals or the National Institute of Governmental Purchasing. One thousand three hundred eleven responses were received by March 9, 2016 for a response rate of 21.8%. All major travel card-issuing brands (American Express, Diner's Club, MasterCard, and Visa) are represented in the survey response.

The 2016 Corporate Travel Card Benchmark Survey Results provide a comprehensive examination of organizational use of travel cards. The benchmarks and analyses in this Report are designed to provide readers with facts and tools to help them evaluate and grow their travel card programs and maximize the benefits they derive from travel card technology.

A broad spectrum of organizations is represented in the final sample, allowing analysis of travel card practices in both Corporate and Not-for-Profit sectors. Spending on travel cards is analyzed in this Report with respect to past, present, and projected spending patterns.

On the whole, the survey results present a positive portrait of ongoing improvement in travel card value and technology in the marketplace. The major findings of the survey by chapter are as follows:

Organizational Goals for Travel Card Program and Travel Budget

- The current "top-most" goals for travel card programs in North America involve optimizing convenience for employees, obtaining rebates or other incentives from the travel card issuer, and establishing clear travel card policy guidelines.
- The travel budget is a key enabler of travel card spending. Sixty-six percent of respondents experienced increases in their travel budget over the past three years.
- The average travel budget as a percentage of revenue (or budget for Government and Not-for-Profit organizations) has risen from 1.02% in 2013 to 1.25% in 2016, reflecting a general improvement in the North American economic climate.

66% of respondents report increased travel budgets since 2012

Travel Card Spending Norms

- The percentage of employees traveling on business more than twice per year has risen steadily from 25.6% in 2011 to 30.2% in 2016.
- A typical travel card has $929 of charges per month, which is a culmination of 4.77 transactions at $195 per transaction.
- Average monthly spending per travel card rose 21% between 2013 and 2016 (from $770 to $929), an outcome that appears to be influenced by the higher average amount of spending paid with ghost accounts and "electronic accounts payable" (i.e., virtual cards or EAP) by organizations that use those card platforms.
- Seventy-six percent of travel spending is captured on travel cards, similar to that observed in our 2011 and 2013 surveys.
- The percentage of employees provided with travel cards fell modestly from 20.5% in 2013 to 19.3% in 2016.
- On average, 85.2% of travel card spending is conducted on plastic travel cards, 10.6% on ghost accounts, and 4.2% on EAP.
- On average, 95.4% of all travel card transactions (at $174 each) are conducted on plastic travel cards, 4.2% on ghost, lodged, and central travel accounts (at $495 each), and 0.4% of transactions (at $2,056 each) are paid with electronic accounts payable (EAP).
- Organizations using EAP to pay for travel spending report average monthly spending of $715,680 on that platform, over three times higher than reported ($214,593) in 2013.

The percentage of employees traveling on business more than twice per year has risen from **26% in 2011** to **30% in 2016**

The average monthly spending per travel card is **$929**

Travel Card Spending Growth Trends

- Seventy-three percent of all respondents experienced travel card spending growth in the three-year period from 2013 through 2015. Another 16% report a decrease and 11% no change in travel card spending in that time frame.
- Annual travel card spending grew an average of 4.7% per year in the three-year period from 2013 to 2015. This growth rate exceeds that of the 2009-2010 time frame (1.4% per year) and the 2011-2012 period (3.9% per year).
- The average annual growth among Corporations (5.0%) was significantly higher than among Government and Not-for-Profit organizations (2.7%) over the three-year 2013-2015 time period.

- Respondents are cautiously optimistic about future growth of travel card spending, with most expecting an increase (69%) or no change (24%) over the next five years. Corporate respondents are more likely than Government and Not-for-Profit organizations to expect travel card spending to increase through 2020 (73% versus 62%).

- Travel card spending is expected to increase over the 2015 base year level by 2.8% in 2016 and cumulatively by 8.3% through 2018 and by 15.2% through 2020 (an average of 3% per year).

- Corporations project travel card spending to increase over the 2015 base year by about 3.1% per year through 2020. By contrast, Government and Not-for-Profit organizations project growth of 2.1% per year through 2020.

- The dominant reason organizations expect annual travel card spending to increase through 2020 is increased business activity or volume.

- Past success (or lack thereof) with travel cards appears to have an influence on expectations of future travel card spending growth. This means that there is a "stickiness" to weak travel card program performance, wherein organizations that struggle to construct or maintain a robust, growth-oriented program have difficulty getting out of that rut. Programs of this nature represent a significant opportunity for card users and issuers who, by evaluation, analysis, and comparison to "best practice," can help move the organization beyond the barriers that prevent greater card-related benefits from being realized.

- North American travel card spending continues its steady climb, rising from $156 billion in 2010 to our current estimate of $192 billion in 2015. Growth in spending is expected to continue for the next several years with total North American travel card spending reaching $208 billion by 2018 and $221 billion by 2020.

- Multi-national corporations experienced above average travel card spending growth in the three years between 2013 and 2015. Going forward, companies with all operations and sales in North America project the highest cumulative growth rate over the next five years, an artifact of a slowing global economy.

- North American travel card spending growth continues to grow at a rate similar to the U.S. Gross Domestic Product.

Respondents are cautiously optimistic about future growth of travel card spending, with **69%** expecting **increases** over the **next five years**

Travel card spending is expected to increase by **2.8% in 2016** and cumulatively **8.3% by 2018** and **15.2% by 2020**

Travel Card Purchases and Areas of Potential Growth

- Travel card spending is, on average, allocated as follows: 36% for air travel and ancillary charges, 22% for lodging, 11% for restaurants, 5% for auto rentals, 3% for entertainment, 3% for fuel and other vehicle charges, 3% for off-site meetings and events, 2% for conference registration fees, 4% for other travel-related charges, 1% for caterers, and 10% for non-travel purchases.

- Not all goods or services are paid for with travel cards by every organization. We refer to the use of the travel card to pay for a particular good or service as travel card "penetration" of that category. Over three-fourths of respondents charge domestic airfare, international airfare, lodging, auto rentals, and restaurant bills to their travel cards. Additionally, 68% use the travel card to pay for fuel and other vehicle charges. A significant percentage of respondents also use the travel card to pay for airline ancillary charges (58%), conference registration fees (57%), entertainment (48%), off-site meetings and events (40%), caterers (31%), and "other" travel-related charges (64%). Sixty-one percent also use the travel card for non-travel purchases.

- The fact that a travel card is used to pay for a good or service does not imply that other types of payment mechanisms are not also used to pay for those goods and services. The percentage of spending on a good or service paid with travel cards is referred to as the travel card "capture" of spending. At present, the majority of respondents capture 80% or more of their spending on domestic and international airfare, lodging, and auto rental expenditures on travel cards. However, the majority of respondents capture less than 80% of their spending at restaurants or for fuel and other vehicle charges, conference registration fees, airline ancillary charges, entertainment, off-site meetings and events, caterers, or other travel-related charges on travel cards. And, there is still a sizable minority of respondents capturing less than 40% of traditional travel expenses (airfare, lodging, and auto rentals) with their travel cards.

- Based on respondent estimates of their current travel card capture of spending (excluding non-travel purchases), spending in the U.S. and Canada could grow by $64 billion if existing customers were to capture a higher percentage (a "top quartile of respondents" level) of the travel expenditures with their travel cards.

- Total travel card spending in the U.S. and Canada could grow by another $73 billion if respondents who currently do not pay for a given travel expense category with travel cards begin to do so and at the same level as top 25% respondents buying in the category.

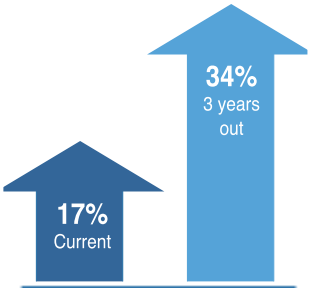
$64 B

in potential travel card spending can be achieved if existing users capture a higher percentage of travel expenses with travel cards

- The potential for upward spending varies by category. The areas of lodging and accommodations, domestic airfare, restaurants, and other travel-related charges are the most prominent and perceived to have the most growth potential.

- Based on the size of the U.S. and Canadian economies and norms for travel spending in relation to revenue, the practical high-end of travel card spending potential is estimated to be between $350 to $400 billion.

Percentage of Travel Bookings Made with Mobile Devices



Mobile Technology and the Sharing Economy

- Mobile technology has had the greatest impact on activities that facilitate embarking flights and checking into hotels, including the downloading of boarding passes, checking in for flights or hotel rooms, and receiving travel updates (e.g., a text message about changing gates or flight times).

- A second tier of mobile device capabilities relates to the booking of travel and expense documentation. Mobile technology is used to book hotel stays, airline travel, and auto rentals by 49%, 48%, and 45% of respondents, respectively. Mobile technology also plays an important part in the expense documentation and reporting process, with 47% of respondents taking photographs of expense documents for upload into their expense reporting system, 43% reviewing and approving expense reports, and 41% submitting expense reports via mobile devices.

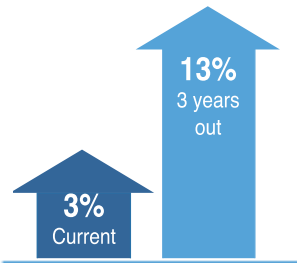
- A third tier of mobile device capabilities relates broadly to information collection and dissemination, being used by respondents to collect information on travel options (38%), provide updates about employees' travel status and expected arrival times (31%), track traveler location in the event of an emergency (27%), and establish and manage travel card account controls (23%).

- The use of mobile technology has more than doubled between 2013 and 2016 with regard to collecting information on travel options, reviewing and approving expense reports, and establishing and managing travel card account controls.

- Among organizations that use mobile technology to book travel, 17% of their current travel bookings are made with mobile devices. These same organizations expect that percentage will double within three years.

- Three percent of respondents currently use mobile technology to pay for travel services. Another 10% expect to pay for travel services with mobile devices within three years.

Percentage of Organizations Paying for Travel Services with Mobile Devices



- Use of the "sharing economy" to support business travel is rapidly emerging, with 52% of respondents permitting reimbursement for Uber, 28% for Lyft, and 14% for Sidecar and Weeels. A smaller percentage of organizations allow reimbursement for lodging arrangements, including 16% for Airbnb and 10% for HomeAway.

Travel Policy: Objectives and Trends

Use of the **"sharing economy"** to support business travel is **rapidly emerging**

- The typical travel policy of respondents currently emphasizes or strongly emphasizes compliance with documentation requirements, pre-trip authorization, use of alternative technology (e.g., webinars), management of airfare costs (e.g., lowest available fare), management of other travel costs (e.g., staying in less expensive hotels), use of the appropriate booking channel, and directing business to "preferred" providers.

- Thirty-two percent of respondents had made their travel policy more restrictive over the past three years. The changes have had no negative impact on travel card spending and may have actually contributed to increased spending activity.

- Changes to travel policy relate to clarification of travel guidelines and documentation requirements for employee reimbursement (32%), practices to reduce the cost of air travel (28%), changes in the booking method and/or timing of the purchase (20%), the cost of meals and related per diems (18%), lowering the cost of lodging (17%), a requirement for use of the travel card (15%), and the harmonization of travel policy across global units (11%).

- Policies to mandate travel card use have become increasingly common over the last decade and are used by the majority of corporations (of all sizes). Of the 66% of respondents that mandate travel card use, 65% describe their mandate as soft (with little or no penalty for non-compliance) and 35% as "hard" (with a recognized penalty).

Travel card **spending** is **higher** where travel card use is mandated and higher still when the **mandate is "hard"** (with a recognized penalty for non-compliance)

- Travel card spending is higher where travel card use is mandated and higher still when the organization has a "hard" mandate. Organizations with hard mandates distribute travel cards to a higher percentage of the employee base and report higher capture of travel spending with travel cards.

- The distribution of travel cards is not a factor in the expense report non-compliance rate. Card distribution is similar in organizations with both a high and low percentage of expense reports that include employee claims for reimbursement identified as not meeting criteria for payment. However, employee travel booking practices, travel policy emphases, allowable personal expenditures and ATM use, and the lack of a clear statement on disciplinary actions to be taken in the event of travel card misuse may contribute to a higher incidence of expense reimbursement claims not meeting the criteria for payment.

Changes in Booking Practices

- The management of travel costs requires a review of the manner in which travel arrangements are booked. Thirty-five percent of all respondents use an "open booking" arrangement (in which employees book their travel arrangement as they see fit), 32% use a national or international travel agency or travel management company (TMC), 15% use a local or regional travel agency, 9% use a business-oriented online agency, and 9% use an internal travel agency.

- The majority (61%) of Fortune 500-Size corporations use the services of a national or international travel agency or TMC to book travel.

- The percentage of "open booking" arrangements has increased from 28% in 2013 to 35% in 2016. The increase is largely driven by increased open booking arrangements in Middle Market corporations (which went from 37% in 2013 to 48% in 2016) and Government and Not-for-Profit organizations (which went from 42% in 2013 to 55% in 2016).

- Travel booking through an internal travel agency is associated with the highest percentage of respondents (84%) that are satisfied with their booking method. A notably lower percentage of respondents are satisfied with their "open booking" arrangement (59%).

- Organizations with an open booking arrangement and those that use business-oriented online travel agencies are most likely to be considering changing their travel booking method.

35%

of respondents use an "open booking" arrangement for travel; up from 28% in 2013

Expense Reporting and Expense Management Software

- The use of software that pre-populates expense reports with travel card data is up from 27% of respondents in 2007 to 45% in 2016.

- The use of paper-based expense reports continues its downward trend, going from 49% of respondents in 2007 to 28% of respondents in 2016.

- Electronic expense reports (pre-populated with travel card data) are used by 79% of Fortune 500-Size corporations and by the majority (54%) of Large Market companies, but found less often among Middle Market corporations (39%) and Government and Not-for-Profit organizations (24%).

- In comparison to paper-based expense reporting, organizations that use software that pre-populates travel card data into the expense report show a 40% reduction in the "end-to-end" time to process an expense report, a 25% shorter expense report cycle time, and the identification of a higher percentage of expense reports not meeting the organization's criteria for payment.

45%

of respondents use software pre-populating expense reports with travel card data; up from 27% in 2007

- Based on national norms for clerical and other salaries, the pre-population of the expense report with travel card data generates process cost savings of $9.21 per report over paper-based methods.

- Across the survey response, 69% of respondents indicate they use travel expense management software (EMS). EMS is software designed to be an "end-to-end" solution that ties all or most of the travel expense management process together.

- Forty-eight percent of respondents use EMS from a third-party non-ERP provider, 24% use software provided by their Enterprise Resource Planning (ERP) system provider, 20% use EMS provided by their travel card issuer, and 8% have developed an "in house" solution.

- Sixty-four percent of respondents using EMS from a 3rd party non-ERP provider report a moderate to high degree of integration between the EMS and their travel booking system, a figure much higher than other EMS options.

- Eighty-three percent of organizations using an EMS from a 3rd party non-ERP provider report that they are satisfied or very satisfied with the value of the EMS, a figure higher than that reported by organizations with ERP-related (58%) or card issuer software (54%).

- Compared to ERP and non-ERP-based providers, the cost of EMS software provided by card issuers comprises a significantly smaller portion of the travel budget.

- Organizations with EMS software are more likely to reimburse the employee by direct deposit into their bank account or by direct payment to the organization's travel card issuer.

- Organizations with EMS software are significantly more likely than those without to attach scanned or faxed receipts to automated expense reports, digitally archive expense reports, fax receipts with a bar-coded cover sheet to central imaging server, or hyperlink scanned images of receipts to electronic expense reports. Organizations without EMS software are more likely to mail paper receipts to Accounts Payable (76% versus 24%).

- The percentage of respondents that digitally archive expense reports has increased from 25% in 2013 to 39% in 2016. Paper-based processes are slowly being nudged aside, with the percentage of respondents mailing paper receipts to Accounts Payable falling from 51% in 2013 to 42% in 2016.

$9.21
in cost savings per report driven by use of software that pre-populates expense reports with card data

69%
of respondents use travel expense management software

The percentage of respondents that **digitally archive** expense **reports** has increased from **25%** in 2013 to **39%** in 2016

Virtual Card Use for Travel

- Ten percent of respondents use one or more type of "electronic accounts payable" (EAP) for payment of travel expenses, with 38% using only virtual cards, 33% using only single-use accounts, and 7% using only buyer-initiated payments. Of organizations that use more than one EAP model, most use a combination of virtual and single-use accounts.

- Organizations using EAP for travel report average monthly spending of $715,680 via the EAP platform, an amount over three times higher than in 2013 ($214,593).

- An average EAP transaction by organizations using EAP for travel is $2,056, a figure significantly lower than the average non-travel EAP transaction ($4,842), reflecting the lower average ticket amount for travel arrangements.

- Ghost account use did not affect the percentage of respondents that have adopted EAP, nor the amount the organization spent on EAP. However, average monthly ghost account spending was 28% lower among organizations that use EAP.

- Organizations that use EAP report that 32% of their travel service providers accept payment via EAP.

- Sixty-six percent of EAP-using organizations use EAP to pay for hotels, 52% for airlines, 27% for auto rentals, 25% for meeting facilities, 20% for caterers, 20% for travel agents, and 18% for meeting services.

- Organizations that pay for travel-related charges with EAP most frequently cite better reconciliation of transactions on central billed accounts as a key benefit justifying EAP adoption.

- Sixteen percent of respondents that do not currently use EAP are considering using virtual cards to pay for travel-related expenses within the next three years.

Average monthly **EAP spending** has risen from **$214,593** in 2013 to **$715,680** in 2016

Organizations most frequently cite **better reconciliation** of transactions on centrally billed accounts as a key benefit justifying **EAP adoption**

Best Practice (1): Key Program Performance Measures

- The beneficial impact of travel cards is not experienced equally by card-using organizations. Across the entire sample, 20% of respondents account for 83.4% of all travel card spending.

- This report uses three criteria to identify “best practice” (hereafter referred to as BP) travel card program performance: (a) monthly travel card spending per employee, (b) annual travel card spending as a percentage of the organization’s revenue (or budget for Government and Not-for-Profit entities), and (c) the percentage of all travel spending paid with travel card accounts. We define a BP travel card program as one in which at least one of the three performance metrics is found to be in the top quartile (and none is in the bottom quartile), where quartiles are formed by rank ordering survey respondents by each of the three performance criteria. A “needs improvement” (hereafter “NI”) travel card program is one in which at least one of the three performance metrics is found to be in the bottom quartile (and none is in the top quartile).

22.8%
of employees at “best practice” organizations are given a travel card

- In comparison to NI programs, BP programs report about 4 times the average monthly spending on travel cards ($2,267,083 versus $516,813), over 4 times the amount of monthly travel card spending per employee ($305 versus $70), and a notably higher percentage of travel spending paid by travel cards (88% versus 64%). Annual travel card spending as a percentage of revenue at BP programs is about 5 times higher than NI (2.5% versus 0.5%).

- BP programs provide 22.8% of employees with travel cards in an environment where 37% of their employees travel more than twice per year (or 62% of the frequent traveler base). By contrast, NI programs provide 11.1% of employees with travel cards in an environment where 26% of their employees travel more than twice per year (or 43% of the frequent travel base).

- Increases in card distribution adequacy (the percentage of employees provided with a travel card divided by the percentage of employees that travel more than twice per year on company business) are associated with improvements in the percentage of travel spending paid with the travel card and the range of goods and services paid for with the travel card.

- BP organizations report 114% higher average monthly spending per card ($1,337 versus $625) due to more frequent transactions (5.77 versus 3.69) at a higher average transaction amount ($232 versus $169).

- A similar percentage of BP and NI organizations use plastic cards (98% and 97%, respectively) and ghost accounts (33% and 31%). However, BP organizations are twice as likely to use EAP (12% versus 6%).

“Best practice” organizations are **twice as likely** to **use EAP** to pay for travel

- In comparison to the NI group, BP organizations pay a higher percentage of their travel spending with plastic cards, ghost accounts and EAP (combined at 88% versus 64%). More specifically, the BP group pays for a higher percentage of travel on plastic cards (76% versus 55%), and EAP (4% versus 1%) than their NI counterpart. Both BP and NI respondents pay for about 8% of their travel with ghost accounts. Conversely, 22% of NI travel spending is paid by employees with their own cash or credit cards, a figure far higher than that of BP programs (6%).

- The highest percentage of BP programs identify "rebates and other incentives" as their chief travel card program goal. By contrast, the highest percentage of NI programs recognize optimizing employee convenience as their top goal.

Best Practice (2): Card Spending Practices, Opportunities, and Benefits

- There is a double-digit difference in the percentage of BP and NI programs that use the travel card to pay for auto rentals (90% versus 75%), entertainment (61% versus 38%), airline ancillary charges (68% versus 46%), caterers (44% versus 22%), off-site meetings and events (50% versus 33%), fuel and other vehicle charges (76% versus 60%), conference registration fees (63% versus 53%), and other travel-related charges (e.g., taxi; 69% versus 58%).

- The fact that a travel card is simply used to pay for a good or service does not necessarily mean that a high percentage of purchases are paid with travel cards (since other types of payment mechanisms can also be used). Notwithstanding, we do find that BP organizations pay for a significantly higher percentage of their spending in every travel expense category with travel cards, including airfare (domestic and international), lodging, auto rental, airline ancillary charges, fuel and other vehicle charges, conference registration fees, and caterers. BP organizations are more likely to affirm that there is potential for more travel card spending in almost every travel-related expense category.

- A higher percentage of BP card programs report obtaining discounts for airfare, lodging, and auto rentals. Further, these organizations report an average discount amount that is higher than NI counterparts for airfare (5.8% versus 4.6%), lodging (9.6% versus 6.9%), and auto rentals (9.4% versus 8.1%). A significantly higher percentage of BP respondents attribute some or all of the discount amount to the use of travel card data in discount negotiations (65% versus 50% for airfare; 66% versus 44% for lodging; and 55% versus 44% for auto rentals).

"Best Practice" card programs, on average, achieve **$1.3 M** in travel spending discounts annually due to the use of travel card data in vendor negotiations

- Spending and spend visibility contribute to improved discount savings of $1,254,695 per year for the average BP travel card program. By contrast, spending by the average NI travel card generates travel discounts savings of $219,108 per year.

Best Practice (3): Technology

- BP travel card programs are more likely to use an external or internal travel agency and less likely to have an "open" travel booking arrangement.
- A higher percentage of organizations with BP travel card programs electronically integrate travel card data into their expense reporting system (53% versus 41%).
- BP travel card programs are more likely to have invested in expense management software (EMS) than NI counterparts (80% versus 65%). BP travel card programs are more likely to opt for third-party (ERP, non-ERP, or card issuer) software, while the NI group is significantly more likely to develop an "in-house" solution.
- The majority of NI travel card programs (53%) report that there is "no integration" between their travel booking and EMS, while the majority of BP programs (71%) report some level of integration.
- BP programs report higher use of mobile technology arranging and conducting travel and "duty of care" activities (such as tracking traveler location in the event of an emergency and providing updates about employees' travel status).

"Best practice" organizations drive **more** travel **spending** to a card program more **rigorously managed** and **controlled**

Best Practice (4): Policy, Training, Control, and Compliance

- BP programs are more likely to emphasize policies to leverage travel spending for better pricing and to manage the service level experienced by employee-travelers.
- BP travel card programs are more likely than their NI counterparts to mandate use of the organization's travel card to pay for business travel expenses (74% versus 53%).
- BP programs are more likely to have (a) an ongoing method of communicating updates or changes in card policy to employees (81% versus 71% NI), (b) a website that answers travel card-related questions (69% versus 50% NI), and (c) a clear description of disciplinary actions to be taken in the event of travel card misuse (78% versus 60% NI).

- BP programs are more likely to engage in initial training for new cardholders (67% versus 48% NI) as well for individuals who approve travel card spending (50% versus 35%).
- BP organizations are more likely to use “per-transaction” travel card spending limits (43% versus 35% NI), though those limits are 27% higher ($3,259) than among NI counterparts ($2,557).
- The average monthly travel card spending limit is 12% higher among BP travel card programs ($8,824 versus $7,902 NI).
- BP respondents are more likely to allow ATM cash withdrawals (22% versus 13% NI) and automatic debits for recurring payments (e.g., cell phone bills) to the travel card (41% versus 16% NI).
- BP programs are more likely to review/investigate declined card transactions (80% versus 74% NI) and track/manage ancillary airline charges (42% versus 33% NI).
- BP programs are more likely to have Internal Audit or other authority evaluate and report on the adequacy of \travel card program controls (81% versus 73% NI) and conduct data mining of travel card transactions (75% versus 55% NI).
- BP travel card programs are associated with more efficient expense report processing functions, handling 24% more expense reports per “full-time equivalent” employee than their NI counterparts.
- BP programs are more likely to measure the performance of their travel expense management process (32% versus 19% NI). BP organizations consider the policy compliance failure rate as the most important process performance metric, followed by rebates or incentives received from the travel card issuer, and user-friendliness of both the travel expense reimbursement and travel booking processes.

BP programs rate many aspects of **card issuer performance** as significantly **more important** to them than NI programs

Best Practice (5): Satisfaction with Card Issuer Deliverables

- BP programs rate many aspects of card issuer performance as significantly more important to them than their NI counterparts.
- Where there is a significant gap in satisfaction with card issuer performance between BP and NI travel card programs, the BP travel card program group is always more satisfied.

- Notwithstanding a broad range of significant differences in the ratings of importance and satisfaction with card issuer deliverables, there are few major differences in the gaps between importance and satisfaction with card issuer deliverables. And, where those gaps are found, they are almost always on items of lesser importance to both BP and NI programs. These results imply that both BP and NI programs are, on balance, content with their current travel card program performance (given what is important to them).

Global Travel Card Programs

- Approximately 10% of all travel card spending is conducted outside of the U.S. and Canada, which translates to about $19 billion of the total $192 billion of travel card spending in the U.S. and Canada.

- Sixty percent of all respondent organizations conduct travel card spending outside of the U.S. or Canada. The larger the company, the more common it is for the organization to conduct travel card spending outside of the U.S. or Canada.

- Most travel card spending conducted outside the U.S. and Canada occurs in Europe (42%) and the Asia/Asia Pacific region (23%).

- The more highly-rated challenges noted by respondents with employees traveling outside of the U.S. and Canada relate to card theft or fraudulent use of card numbers, followed by exchange rates and currency translation fees, the failure of card acceptance due to the slow adoption of Chip/PIN technology, and the general level of card acceptance by merchants.

- Twenty-eight percent of all respondents have employees located outside of the U.S. or Canada that are in possession of a company travel card.

- Over half of the Fortune 500-Size and a third of Large Market corporations have employees outside of the U.S. or Canada with a locally issued travel card. The vast majority of these organizations use a single, global travel card issuer, an arrangement which is associated with the highest level of customer satisfaction.

60%
of respondents conduct travel card spending outside of the U.S. and Canada

Liability Regimes

- The use of corporate liability agreements has steadily increased from 58% in 2007 to 78% of respondents in 2016. Contrariwise, the use of individual liability agreements has fallen from 28% in 2007 to 11% of respondents in 2016. Joint and several liability arrangements are currently 9% of the sample. Other types of agreements play a minor role in the marketplace.

- Corporate liability agreements are in place in 72% or more of all programs in all sizes and types of organizations examined.
- Within the corporate sector, the percentage of respondents with corporate liability is highest for Middle Market corporations (85%).
- The percentage of companies with joint and several liability increases as companies grow larger in size.
- Fortune 500-Size and Large Market companies with corporate liability differ from those with individual or joint and several liability in terms of their goals for the travel card program, their policy and practices, their technology utilization, and the demands made on the organization to support the liability choice (e.g., training or credit checks). Further, companies with individual or joint and several liability are over twice as likely as those with corporate liability to be considering switching travel card issuers (28% versus 13%).

The **use of corporate liability** agreements has increased from **58%** in 2007 to **78%** in 2016

Direct Billing

- One-third of all respondents have a direct billing arrangement with one or more travel service provider.
- For all but Fortune 500-Size corporations, direct billing arrangements (on average) account for 11-13% of organizational travel spending. Fortune 500-Size corporations using direct billing arrangements report that about 21% of their travel spending is billed in this manner.
- Direct billing arrangements predominantly exist with hotels (74%), followed by auto rental agencies (43%), travel agencies (20%), airlines (20%), meeting facilities (15%), caterers (12%), and meeting services (11%).
- Direct billing arrangements appear to slightly dampen the use of travel cards to pay for business travel expenses.
- Organizations with direct billing arrangements pay for a higher percentage of their travel spending with either company checks, ACH, or cash advances (9% versus 7%) or by employee use of their own personal checks, credit cards, or cash (14% versus 11%).
- Forty percent of respondents report that they are not satisfied with their ability to reconcile direct billing information with their internal records for employee travel.

Meeting and Prepaid Cards

- Twelve percent of survey respondents use meeting/event cards and pay (on average) $496,324 of meeting/event expenses per month with those cards.
- Twenty-eight percent of Fortune 500-Size companies use meeting cards and report average spending of $704,066 per month on those cards. Meeting cards are less common in smaller corporations, with 12% (4%) of Large (Middle) Market corporations using meeting cards and spending (on average) $449,211 ($71,900) per month. Average monthly meeting card spending among Government and Not-for-Profit organizations is $228,928.
- Where used, meeting card spending represents 22% of the total spending on "traditional" travel card platforms (plastic, ghost, and EAP).
- Companies that use meeting cards are more likely to be multinational in nature and report higher travel budgets and more frequent travelers. Further, these organizations are more likely to distribute travel cards to a higher percentage of employees and are more likely to use EAP accounts. The result of these and other differences is more aggressive use on both traditional travel and meeting cards.
- Prepaid cards are being used by only 2% of respondents (a figure similar to that found in 2013). The average prepaid card-using organization spends $21,320 per month on prepaid cards, up from $14,261 in 2013. A typical prepaid card is used to conduct 1.2 transactions per month at an average transaction amount of $136.

12%
of respondents use meeting and event cards

Trends in Control and Compliance

- The average monthly travel card spending limit has risen from $7,558 in 2009 to $8,167 in 2016.
- The percentage of organizations that have mandatory initial training requirements for cardholders has been increasing steadily (from 36% in 2007 to 56% in 2016).
- The percentage of organizations that have mandatory initial training requirements for individuals who approve card spending has increased from 24% in 2007 to 43% in 2016.

The percentage of organizations that have **mandatory** initial **training** for new cardholders has risen from **36%** in 2007 to **56%** in 2016

- Organizations have pulled back on certain allowable card uses. Specifically, the percentage of organizations allowing automatic debits for recurring payments on travel cards has declined from 38% in 2009 to 28% in 2016. Likewise, the percentage of respondents that allow ATM cash withdrawals on travel cards has declined from 21% in 2009 to 16% in 2016, and the percentage of respondents allowing the employee to make personal purchases with the company travel card declined from 16% in 2013 (the first year the question was asked) to 12% in 2016.

- The defining features of control over the travel card program include mandates, clear disciplinary policy, employee training, audit review of key program controls, data mining of card expenditures, limitations on personal expenditures, travel booking restrictions, better integration of technology, and measurement of the performance of the travel expense management process.

- There are notable positive outcomes associated with a "more tightly controlled" travel card program architecture, including higher average monthly travel card spending, a higher percentage of travel spending paid with travel card accounts, a lower percentage of expense reports that are identified to include employee claims for reimbursement not meeting organizational criteria for payment, and greater satisfaction with expense management software (where applicable) and card issuer performance along multiple dimensions of technology and service.

The defining **control features** over the travel card program include **mandates**, clear disciplinary policy, employee training, audit review of program controls, **data mining**, limits on personal use, travel booking restrictions, **technology integration**, and **performance measurement** of travel expense management process

Fraud and Travel Card Misuse

- In this Report, external fraud is defined as "card use by a third party (such as an internet hacker) who is not a member of [the] organization" and internal fraud as "purchases by an employee who is not authorized to use the travel card."

- Spending misrepresentation is defined as any event in which "an employee misrepresents a personal transaction on the travel card as a bona fide business charge."

- External fraud to the card-using organization (on average) accounts for about $70 out of every $1 million of travel card spending, while internal travel card fraud loss to the card-using organization (on average) accounts for about $20 out of every $1 million of travel card spending.

- Eighty-six percent of respondents believe that the risk of fraudulent spending associated with travel card use is similar to or lower than other payment methods in the organization.

- Loss to the card-using organization due to misrepresentation of the business purpose of travel card purchases by employees (on average) accounts for about $60 out of every $1 million of travel card spending.

External **fraud** accounts for **$70 out of** every **$1 million** in travel card spending

- Ninety-three percent of respondents believe that the risk of misrepresented spending associated with travel card use is similar to or lower than other payment methods in the organization.

- Non-compliant travel card use is defined as a variety of travel card policy violations, including: (a) a transaction with an unauthorized or non-preferred vendor; (b) a transaction for a larger quantity of good or service than desired by the organization (e.g., taking too many people out to a business lunch);
(c) a transaction for goods or services of a higher quality than desired by the organization (e.g., buying first class instead of coach airfare as required by policy); (d) cardholder purchases of goods or services without receiving appropriate prior authorization(s); and (e) other (respondent-defined) non-compliant spending.

- The loss to the card-using organizations from non-compliant transactions in total account for about $80 out of every $1 million of travel card spending.

- Overall, 94% of respondents believe that the risk of travel policy violations associated with travel card use is similar to or lower than other payment methods in the organization.

- Organizations with tightly controlled travel card programs report fewer incidents and less loss as a percentage of travel card spending associated with internal fraud, external fraud, and employee misrepresentation.

- Organizations are more likely to be considering switching their card issuer if they have experienced one or more incident of internal fraud, employee misrepresentation, and policy non-compliance. The willingness to entertain a change of card issuers does not extend to cases of external fraud, which may be viewed broadly as a systemic risk over which the card issuer has little control.

Summary: The Advantages of Travel Cards and Best Practices

- The report concludes with a summary of the advantages that organizations report from their travel card use and “best practice” activities that are enabling them to get the most benefits from travel card use.

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