



T&E Card Programs: A Revealing, 360-Degree Look at Business Travelers' and Travel Managers' Needs

By Christina Hall

EXECUTIVE SUMMARY

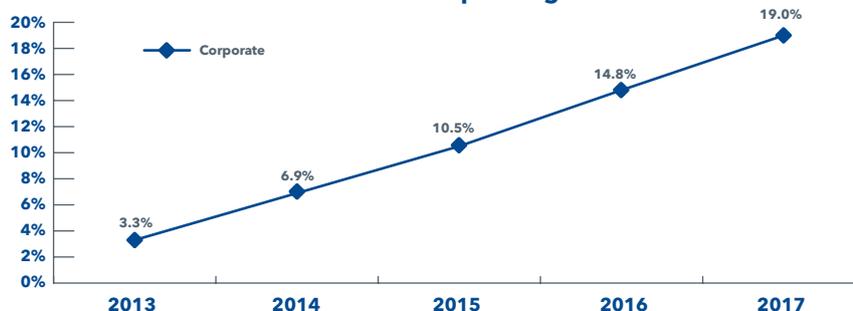
U.S. business travel appears to finally be on the rebound. U.S. gross domestic product (GDP) has grown, albeit slowly, and U.S. stock indexes have recently climbed to all-time highs. The Global Business Travel Association's (GBTA) BTI outlook forecasts that total U.S. business travel spending will grow 6.2 percent year-over-year in 2015, reaching \$304 billion.¹

The technologies that business travelers use in their personal banking and credit card relationships greatly influence expectations for their corporate credit cards. To learn more about business travelers' and travel managers' payment card needs, TSYS partnered with the GBTA Foundation to conduct two surveys.

Together, these surveys provide a unique and revealing 360-degree look at travel managers' and business travelers' experience with travel and entertainment (T&E) corporate credit card programs.

The surveys captured insight around the usage and trends of T&E card programs among both types of users, and identified potential areas for improvement. One surprising finding is that personal card usage among business travelers remains high, despite overall satisfaction with corporate travel card programs.

Expected Cumulative Growth of Travel Card Spending 2013-2017



Source: 2013 Corporate Travel Card Benchmark Survey, RPMG Research.

T&E corporate card programs have become increasingly more sophisticated as technologies continue to enhance the benefits provided to users and issuers. Card issuers seeking to benefit from the expected growth in business travel must focus on developing new T&E programs or reviewing and enhancing their current programs. Travelers and travel managers alike want more advanced features and functionality that are enabled by software and mobile applications that improve controls and expense management.

This report starts by exploring the current state of business travel spending and why T&E programs are ripe for improvement. It then looks at key

findings from the two surveys and identifies the needs and wants of business travelers and travel managers. The report concludes by laying out three key areas for improvement that commercial card issuers should focus on to make their T&E programs more valuable to travel managers and business travelers. By focusing on these areas, issuers can create a stronger value proposition for their T&E programs, helping to shift more business travel spending away from personal cards and toward T&E corporate cards.

TSYS partnered with the GBTA Foundation to conduct two surveys. Together they provide a unique and powerful 360-degree view of travel managers' and business travelers' perspectives on T&E programs.

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How the Financial Crisis Changed T&E Spending

The U.S. "Great Recession" along with the global economic crisis put tremendous pressure on corporations to reduce travel costs. J.P. Morgan's T&E spending benchmark report, for example, found that the average spending limit on cards had fallen to \$7,558 in 2009 from \$10,000 in 2006 as organizations increased "data mining of travel card transactions to identify policy violations or travel card misuse."² Some organizations also reined in their T&E budgets by reducing the overall number of employee trips, while others slashed their travel spend by purchasing lower-class airline tickets or less expensive hotel rooms or car rentals.³ Others tightened their travel policies or reduced the number of employees eligible to carry T&E cards.

Graph A:

Payment Forms Used for Business Travel-Related Expenses



Source: 2014 TSYS - GBTA Foundation Travel Manager Study. (n=240)

It's understandable why business travel was one of the biggest cost-cutting targets. T&E spending is the second-largest controllable expense among U.S. corporations after salaries and benefits.⁴ These shifts and reductions in corporate travel spending have ultimately changed the way many companies view their T&E card programs. "Companies are looking at card programs as avenues to drive more value in terms of process controls and centralization," says Manish Kohli, managing director and global head of commercial cards for Citibank.⁵

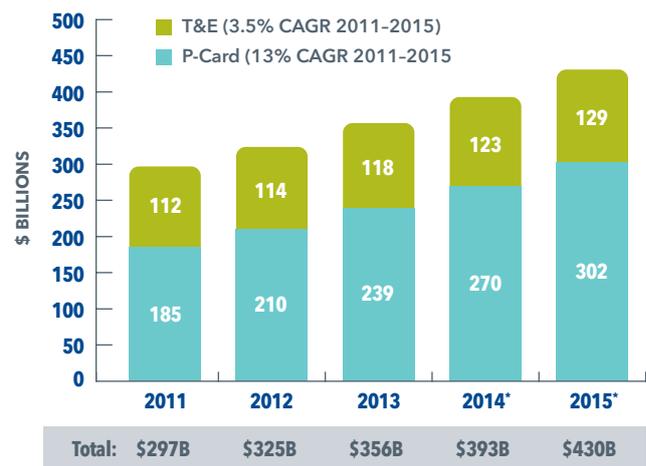
Charging Up T&E Corporate Cards

Mercator Group projects that spending on commercial cards will have increased 41 percent between 2012 and 2015, reaching \$480 billion.⁶ Purchasing card volume is expected to account for 69 percent of this growth. Since the U.S. financial crisis of 2008-2009, T&E card spending has seen

only single-digit annual growth rates due to market saturation and downward pressures on corporate travel budgets.⁸ Through 2015, travel card volume is projected to grow at a compounded annual growth rate (CAGR) of 3.5 percent.⁷

Graph B:

U.S. Commercial Card Volume Projections by Card Type 2011-2015



Source: State of the Commercial Card Market, 2014, Mercator Advisory Group.
* Projected

(See Graph B, *U.S. Commercial Card Volume Projection by Card Type 2011-2015*.) Yet some payment providers are outpacing this growth rate. Wendy Ward, vice president of marketing and communications at UATP, a payment network privately owned by airlines, told Business Travel News that 2014 could be UATP's best financial year ever, with the company on track to report more than \$14 billion in charge volume this year, up from more than \$13 billion in 2013 — a 7.6 percent increase. She attributed UATP's growth to people "coming out of their shells from the recession" and understanding that "business travel is essential to maintaining client base and creating new [clients]."⁵ In the same article, Kevin Phalen, head of global card and comprehensive payables at Bank of America Merrill Lynch (BoAML), said his company's volumes were up "pretty significantly" in 2013.⁵

The technologies these business travelers use in their personal banking and credit card relationships can affect what they expect from their corporate credit cards.

Emerging payment and money-management technologies, such as smartphone and tablet banking apps, enable consumers to quickly access their credit card and bank account balances or transfer funds between accounts. The technologies these business travelers use in their personal banking and credit card relationships can affect what they expect from their corporate credit cards. Furthermore,

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providing travel card managers with a higher level of account control and security through technology can also help increase card spend. For example, in an article published by *Business Travel News*, Kevin Phalen at BoAML discussed how his company has upgraded its user technology and, as a result, seen higher transaction values: "Because of the investments we made in technology, it gives [corporate clients] better control and security, and as a result they are willing to utilize cards for higher-value purchases."⁵

Issuers looking to capture more T&E card spend — which could otherwise be diverted to prepaid or even personal cards — must consider the needs of their core audience: the business travelers themselves.

Issuers must understand the evolving T&E program market in order to enhance their corporate T&E card programs in ways that best support the needs of business travelers and corporate travel managers today.

Key Findings: What Business Travelers and Travel Managers Want

The 2014 TSYS-GBTA Business Traveler Research Study looked at the needs of frequent business travelers (those who took an average of 15 business trips over a 12-month period), while the 2014 TSYS-GBTA Foundation Travel Manager Research Study explored the needs of corporate travel managers who make key decisions about their companies' travel spending programs and policies — including selecting which card programs they use.

Across the business travel life cycle — from booking and paying for a business trip to expense reporting and reimbursement — the surveys found that the needs and wants of business travelers and travel managers converge in some areas and diverge in others. Business travelers generally seek simplicity, including ease of booking trips, payment, recording and submitting expenses, as well as quick reimbursement. Travel managers, on the other hand, seek tools that ensure compliance and careful management of spending, data integration for analysis and other process efficiencies. Both business travelers and travel managers desire the ability to submit and approve expense reports from a mobile device and receive real-time travel spending updates.⁸

Below is a look at these findings. Opportunities for addressing these findings are highlighted later in this report.

AREAS OF CONVERGENCE

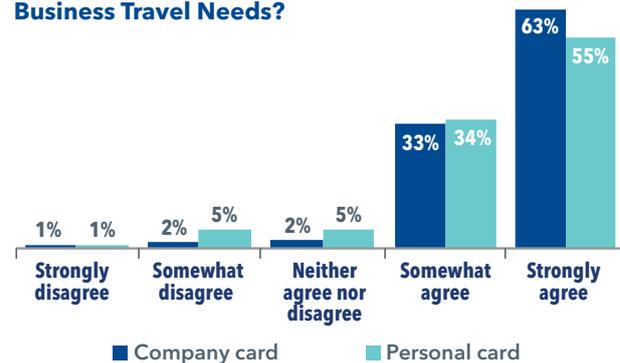
The surveys uncovered two key insights where business travelers' and travel managers' responses align:

T&E card adoption and satisfaction are strong, but personal card usage among business travelers remains high.

The majority of business travelers (68 percent) who responded to the TSYS-GBTA survey said they use a company card. Consistently, travel managers also reported a high usage rate: 91 percent said that corporate cards are the number one form of business travel payment at their company, followed by central travel or business travel accounts (49 percent). (See Graph A, "Payment Forms Used for Business Travel-Related Expenses.") Travel managers reported that, on average, 69 percent of travel spending at their company in 2013 was paid using a corporate card. The study also found that the vast majority of business travelers (93 percent) are satisfied using their primary payment card. (See Graph C, "Does Your Primary Payment Card Meet Business Travel Needs?") Similarly, seven out of 10 travel managers reported satisfaction with their company's T&E card program.

Graph C:

Does Your Primary Payment Card Meet Business Travel Needs?



Source: 2014 TSYS – GBTA Foundation Business Traveler Study. (n=541)

Despite the high prevalence of corporate cards, a significant number of business travelers reported using their personal debit or credit card (60 percent) in addition to a company-provided card when traveling for work. A rather high percentage of travel managers (45 percent) said employees use their personal credit or debit cards to pay for travel, even when they have a corporate travel card. Because personal card usage decentralizes the corporate payment process, this trend represents a big challenge for travel managers. In

Travel Manager Incentives & Rebates

Providing cash-back rebates and other incentives can be attractive to corporate travel departments, since such rewards can improve a card program's deemed value to companies. Additionally, travel managers can negotiate better pricing with high volumes and preferred suppliers (when travelers spend more on their corporate cards).

According to MasterCard, industry data shows that organizations that use travel card data when negotiating with suppliers report 33 percent higher discounts, on average, for airfares, hotels and car rental bookings compared to organizations that do not use travel card data in negotiations.⁴

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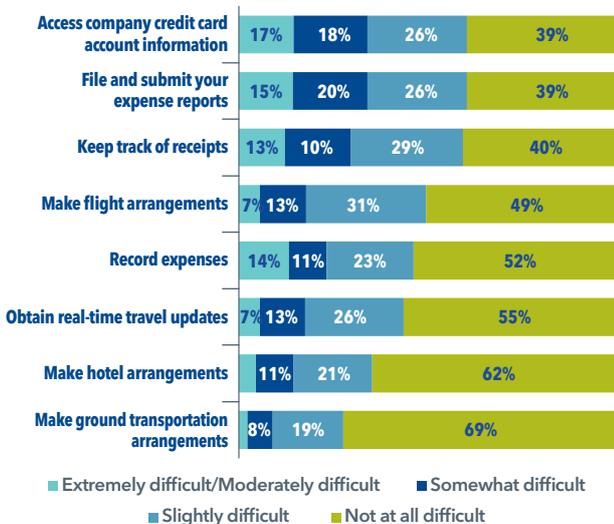
terms of bill payment, the responses seemingly were split: 53 percent of business travelers said they pay the bill themselves and are reimbursed by their company, while 47 percent said their company pays the bill directly.

There's a strong interest in integrating mobile-based solutions with card programs.

Both studies revealed a large interest among business travelers and managers in software or mobile-based solutions for expense management. As mobile device usage becomes more prevalent, one would assume that travel-related expense management would get much easier. However, the business traveler study found that several administrative functions remain very difficult for travelers. The top three most difficult tasks were accessing company credit card account information (61 percent), filing and submitting expense reports (61 percent) and keeping track of receipts (52 percent). (See Graph D, "Difficulty of Task Using Current Business Practices.")

Graph D:

Difficulty of Task Using Current Business Practices



Q: As a business traveler, how difficult is it to perform the following tasks using current business practices?

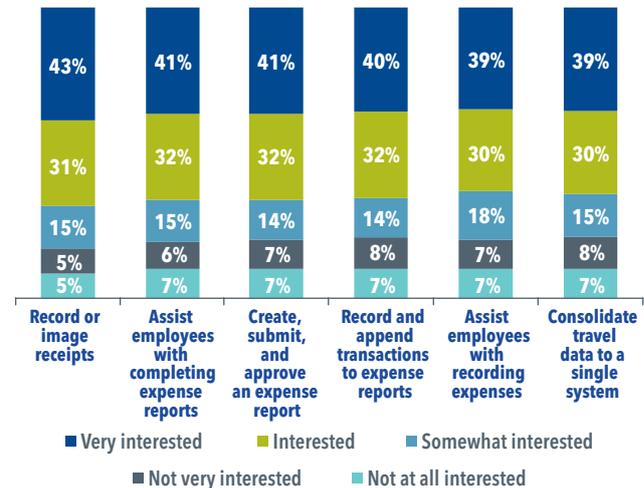
Source: 2014 TSYS – GBTA Foundation Business Traveler Study. (n=545-423)

The business traveler study also found that about six out of 10 business travelers do not use software or mobile applications ("apps") to record or capture receipts (64 percent) or record expenses (60 percent), but they do use them for making personal travel arrangements (58 percent).

These sentiments were echoed among travel managers. They expressed strong interest (70 percent) in using software or mobile apps to assist with expense-management tasks.⁹ The top three expense-management tasks for which they would

Graph E:

Interest in a Specific Software or Mobile App to Assist in Expense Management Tasks



Q: How interested are you in a specific software or a mobile app that can assist with the following types of expense management tasks.

Source: 2014 TSYS – GBTA Foundation Travel Manager Study. (n=199-202)

like to use software or mobile are capturing or recording receipts, helping employees complete expense reports, and creating, submitting and approving expense reports. (See Graph E, "Interest in a Specific Software or Mobile App to Assist in Expense Management Tasks.")

Beyond alleviating the challenges of expense-management tasks, respondents expressed a strong interest in other features and functionality. Fifty-three percent of business travelers reported a strong interest in receiving real-time travel updates, and about two-thirds of travel managers said they are very interested in software or a mobile app that can provide alerts and updates about employees' travel status and expected arrival times on business trips.

AREAS OF DIVERGENCE

Though business travelers and managers agree on some needs and pain points with T&E card programs, there were areas in the survey results where their responses differed:

Travel managers see areas of improvement in T&E card administration.

While overall satisfaction with corporate card programs is high, there is room for improvement in card program administration beyond the expense-management needs mentioned earlier. Travel managers identified two key areas that could be improved upon: controls and compliance (39 percent) and incentive/rebate programs (39 percent). Furthermore, many travel managers said that process efficiency (33 percent), merchant acceptance (33 percent) and global spend visibility (32 percent) could also be enhanced,

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but the importance of those improvements depends on the organization's card spend volume and the card program's brand, whether Visa, MasterCard, or American Express. See Graph F, "Aspects of Primary Corporate Cards That Could be Improved.")

Nearly 50 percent of business travelers want to use mobile payments.

The biggest challenges that respondents cited with regard to mobile payments were primarily focused on security: potential risks to account information; network connectivity problems, such as no signal or slow processing; and user-experience issues, such as problems reading the screen and too much time required to enter information. Respondents whose companies lacked managed travel policies were most likely to use alternate payment methods, such as PayPal or a mobile wallet, when traveling for business, with the youngest respondents — 18 to 34 years old — most inclined to do so.

Some near-field communication (NFC) technologies, such as Visa's payWave and more recent newcomer Apple Pay, securely deploy mobile payments by turning smartphones into contactless payment devices.¹⁰ The TSYS study inquired about emerging technologies and found that a large percentage of respondents (87 percent) were familiar with Quick Response Codes (QR codes) while far fewer were familiar with NFC mobile payment technology.

50% Business travelers expressed an interest in the ability to photograph receipts and store them in a digital file, and there was keen interest in the



ability to create, submit and approve an expense report from any device. **48%**

Those familiar with these technologies also had generally not used them for business transactions. The vast majority of respondents saw value in using NFC and QR codes for activities such as in-flight purchases and baggage checks, assuming such an application could also handle expense-management tasks. It's worth noting that NFC technology is currently consumer focused, but changing dynamics within the payments industry may give rise to NFC capabilities for commercial cardholders in the near future.

Opportunities for Improving T&E Card Programs

Issuers that offer card programs that appeal to both business travelers and their corporate travel managers — and emphasize the benefits of using corporate cards over personal cards — will find themselves in an enviable position.

Two key results will unfold: First, it will make it easier for travel managers to promote the use of corporate cards among business travelers by providing tools and features that assist with spending visibility, controls, compliance and expense management. Second, it will reduce business travelers' usage of personal cards by providing them with mobile expense-management solutions tied to the corporate card, and perhaps better rewards.

Graph F:

Aspects of Primary Corporate Cards That Could be Improved



Q: Which aspects of your primary corporate card program would you like to improve? (Select all that apply.)

Source: 2014 TSYS – GBTA Foundation Travel Manager Survey. (n=205)

Here are some opportunities for improvement:

Opportunity #1: Integrate mobile-based solutions.

A fast-growing number of online tools and mobile apps are changing the way consumers manage their spending, whether that includes making payments via mobile phone, tracking the delivery of an online purchase or accessing payment card or bank account balances. Similarly, many apps allow consumers to better manage their travel: Major airlines' apps, for example, allow travelers to track their flights' arrivals and departures. The technologies and capabilities that consumers have to better keep tabs on spending and travel in their personal lives are naturally spilling over into what they expect when they travel for business. Many survey respondents expressed great interest in being able to use mobile devices for expense management. Therefore, issuers should provide card users with the mobile-enabled features and functionality they desire, such as accessing company credit card account information while traveling, expense management, real-time travel updates and alerts, and software solutions that consolidate travel data from multiple sources into a single system.

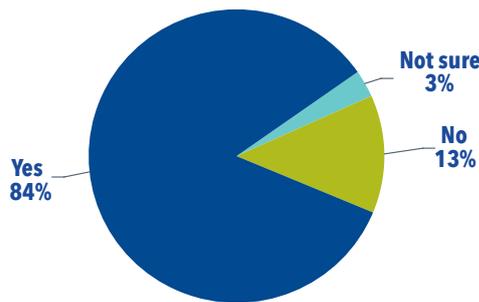
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Due to the strong growth of mobile device usage and apps, issuers are beginning to recognize the need to offer mobile capabilities to commercial cardholders. U.S. Bank plans to launch a mobile app specifically for corporate card customers, similar to the app it offers personal online banking customers.⁵ Furthermore, Chase Bank's free Ink mobile app offers business travelers features such as instant spending alerts, receipt "snap and save" capabilities, and online account access for on-demand reporting and receipt downloads.¹¹

Issuers that provide the right tools and software to assist with travel expense management and other desired functionality will relieve several key pain points for travel managers and business travelers alike, and will help ensure their brand becomes the preferred card.

Graph G:

Awareness of Mobile Payments



Q: Prior to today, had you heard of mobile payments?

Source: 2014 TSYS - GBTA Foundation Business Traveler Study. (n=440)

Opportunity #2: Offer improved controls and compliance for travel managers.

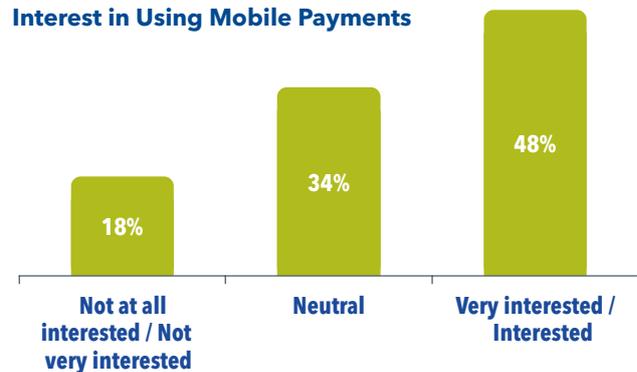
The TSYS-GBTA study revealed the great importance travel managers place on process efficiency, card monitoring, analytics and controls, along with software and mobile apps that can assist with those goals. Controls are no longer limited to blocking card usage for certain merchant category codes (MCC) that fall outside the parameters of appropriate business expenses. Today's more advanced controls can improve compliance by enabling granular pre-established business rules to be evaluated at authorization. These advanced controls can be used through multiple channels and include factors such as geo-location, time of day, and type of purchase across multiple channels and applications.

Offering travel managers more controls and monitoring solutions for corporate card usage can help them spot noncompliant transactions before expense reports are submitted for reimbursement and, in turn, ensure a higher level of compliance with their organization's pre-established card rules. Moreover, such controls can prevent anti-fraud protections on cards from disrupting the payment of

business-related expenses. One survey participant stated, "I would be interested in software that would send a text or email to a traveler when their card is declined to validate the charge if fraud is suspected and the card has been restricted."

Graph H:

Interest in Using Mobile Payments



Q: How interested are you in using mobile payments?

Source: 2014 TSYS - GBTA Foundation Business Traveler Study. (n=71)

Overall, T&E card programs that provide advanced controls and monitoring capabilities can improve an organization's bottom line by giving corporate travel managers more insight into travel spending that allows them to design more efficient and cost-effective corporate travel policies — and ensure that business travelers comply with those policies.

Opportunity #3: Improve mobile payment capabilities for business travelers.

Today's consumers are confident using mobile devices and increasingly demand the convenience and immediacy of mobile-based transactions. Certain retailers have already seen very high usage of their mobile apps. Starbucks, for example, receives four million mobile-based payments each week, with 11 percent of its sales volume coming through its Starbucks-branded mobile wallet. In fact, Starbucks Chairman and CEO Howard Schultz recently stated, "No single competency is enabling us to elevate the Starbucks brand more than our global leadership in mobile, digital, and loyalty."¹² As the number of merchants offering NFC-based mobile payment

Using today's advanced controls and monitoring capabilities can improve an organization's bottom line by helping corporate travel managers better detect and prevent card misuse while also providing key insight into spending that allows them to design more efficient and cost-effective corporate travel policies — and ensure that business travelers comply with those policies.

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technology like Apple Pay increases, more business travelers will likely expect access to that technology through their T&E corporate card program as well.

Business travelers are aware of and interested in mobile payments. Issuers that can overcome the current concerns surrounding the potential security risks of mobile payments, network connectivity problems, and user-experience issues will gain a competitive advantage.

As the number of merchants offering NFC-based mobile payment technology increases, more consumers and business travelers will likely begin using it.

Conclusion

As U.S. business travel spending appears poised to rise over the next few years, card issuers have a great opportunity to capture more of that spending and ensure it isn't diverted to personal cards. Creating new corporate travel card programs or enhancing current programs with more advanced controls and features will give issuers an edge over competitors who don't innovate. Issuers that integrate those enhancements with the latest technologies, such as mobile devices and software applications used by business travelers and travel managers, stand to gain the most. Issuers that pay the closest attention to the evolving needs of corporate travel managers and business travelers will be best positioned to increase their revenue as business travel takes off again.

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ABOUT TSYS

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TSYS' headquarters are located in Columbus, Ga., U.S.A., with local offices spread across the Americas, EMEA and Asia-Pacific. TSYS is a member of The Civic 50 and was named one of the 2013 World's Most Ethical Companies by Ethisphere magazine. TSYS routinely posts all important information on its website. For more, please visit us at www.tsys.com.

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