



2004 Corporate Travel Card Benchmark Survey

**How companies are using travel cards to achieve
organizational and cost efficiencies.**

Study Conducted by: RPMG Research Corporation

How does a typical organization use travel cards today? What are the most important travel card features?

What can organizations do to improve their travel card program performance?

What kinds of processing efficiencies and other benefits can an effective travel card program make possible?

2004 Corporate Travel Card Benchmark Survey

To gain insight into how different sizes and types of companies are using travel cards to achieve organizational efficiencies, Visa Commercial Solutions participated in an in depth study of travel card usage. Over 700 companies that were customers of one of 14 major commercial bankers or members of the National Business Travel Association took part.

The study identifies travel market trends as well as the factors that influence travel card program success. In doing so, it details a number of characteristics that high-performing travel card programs share, from the role of top management and the kinds of training and support provided to employees to the value of automated

expense reporting and creative ways to exploit the travel card's usefulness.

In addition to enhanced data and increased convenience, the study identifies further benefits that companies derive from their travel card programs, from negotiating lower prices with suppliers to reducing travel card budgets, helping eliminate petty cash accounts, and more.

This executive summary highlights key findings and information that travel card-using organizations and their issuers can use to help maximize their travel card program benefits.

Executive Summary

The 2004 Corporate Travel Card Benchmark Survey Results provide a comprehensive independent 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 streamline their travel expenditure process and maximize the benefits they derive from travel card technology.

The information in this report is based on over seven hundred responses from travel card using organizations that were either customers of one of fourteen major card issuers (including ABN Amro, Bank of America, Bank One, Bank of Montreal, Comerica, Commerce Bank, JPMorgan Chase, Citibank, GE Corporate Payment Services, MBNA, National City Bank, PNC Bank, U.S. Bank, and Wells Fargo) or members of the National Business Travel Association. Collectively, the responses reflect representation from each major card brand in the market (i.e., American Express, Diner's Club, MasterCard, and Visa). A broad spectrum of organizations is represented in the final sample, allowing analysis of travel card practices across different types and sizes of organizations in almost every major industry category.

Travel card spending is analyzed with respect to present and projected spending patterns in aggregate, by category of goods purchased, and by dollar value of purchases. On the whole, the survey results present a very positive portrait of value that travel card programs add in the marketplace. This report substantiates and clarifies the progress of travel card technology in the North American market, highlights new market opportunities for card technology, and documents potential barriers to the growth and success of travel card programs for both card users and issuers. The major findings of the survey by section are as follows:

Overview of Travel Card Programs in North America: Size, Trends, and Opportunities

- We estimate that organizations in North America spend about \$193 billion on travel annually. The overall current travel spending captured on travel cards in North America is estimated at \$120 billion per year.
- The typical organization has given travel cards to 23% of its employees and charges the majority of its travel expenses (over 70%) to those cards.
- The primary rationale for the travel card program includes convenience to employees and better data about travel spending.
- Over 83% of respondents indicate that they expect travel card spending to increase over the next five years. The main drivers of expected growth are plans to increase the number of cardholders in the organization and general expectations of increased travel spending.
- While many organizations capture over 75% of travel spending on travel cards, many capture far less. If these low capture organizations behaved like the majority of respondents, the estimated annual travel spending captured on travel cards would increase almost 23% (from \$120 to \$147 billion per year).

Organizational Travel Card Spending Patterns

- For most organizations, travel cards are primarily used to pay for goods and services in traditional travel categories—airfare, lodging, auto rentals, and restaurants.
- A large percentage of organizational spending for airfare, lodging, and auto rentals is captured on travel cards.

The Impact of Travel Cards on Organizational Cost and Efficiency

- Thirty-nine percent of respondents indicate that they routinely use travel card data as leverage in negotiations with suppliers to lower the prices paid for goods and services.
- The average discount obtained by virtue of the use of travel card data in negotiations with suppliers equates to about 9% of the respondent's travel budget. In dollar terms, the average annual card-leveraged price discount was \$2.5 million (median of \$183,000) per organization. The bulk of card-generated discounts are with airlines, hotels, or auto rental agencies.
- Organizations that use card data in vendor negotiations have different goals and policies than organizations that do not use card data in this manner. Further, these organizations are more likely to integrate the travel card with expense reporting technology and preferred vendor initiatives. The net effect of these differences is significantly improved travel card program performance.
- Forty-seven percent of respondents used travel cards as a device to eliminate "petty cash" accounts in the organization. Those that used the card in this manner report a 76% average reduction in the number of petty cash accounts. The typical organization saves about \$30 in administrative costs for each petty cash request eliminated.
- The use of electronic expense reports pre-populated with travel card data is associated with a 56% increase in expense report processing efficiency and an over 40% decrease in the cycle time to reimburse expenses.

Common Elements of High Performance (Part 1):

Program Goals and Policies That Drive Travel Card Program Success

- The majority of travel card spending in a given organizational size category is captured by a minority of respondents within that category. For example, 80% of the total travel card spending within the Fortune 500 and Large Market corporate categories is accounted for by 30% and 37% of the respondents in those categories, respectively.
- The 30% and 37% of respondents that capture 80% of travel card spending in the Fortune 500 and Large Market corporate categories, respectively, report a higher level of top management support, a more liberal travel card distribution policy, and significantly higher levels of spending at the cardholder level. In addition, these organizations are more likely to have a mandated travel card use policy, integrate their travel card program with preferred vendor initiatives, invest in an automated expense reporting system, and use travel card data as a basis for requesting higher discounts from vendors.
- Organizations that capture a high percentage (over 95%) of travel spending on the travel card distribute (on average) four times as many cards, are twice as likely to have a policy that "mandates" card use, spend three times as much on the travel card, are about twice as likely to use card data in negotiations for discounts with vendors and about half as likely to be considering switching card issuers in comparison to organizations that capture a low percentage (below 35%) of their travel spending on their travel card.
- Organizations with high capture of travel spending on travel cards focus on program goals relating to what the card can do for them (e.g., increase convenience, provide valuable data), while organizations with low capture of travel

spending on travel cards focus on controlling inappropriate card use.

- Across the sample, 60% of organizations have a policy that mandates the use of the travel card for travel expenditures. “Mandated card use” programs account for a disproportionately larger percentage (78%) of travel card spending in the sample.

Common Elements of High Performance (Part 2):

A Closer Look at Travel Card Distribution and Mandates

- There is a very strong association between the number of travel cards distributed in an organization and total travel card spending. Relationships between card distribution and spending can be used to predict future spending or benchmark current spending at an organization.
- The linkage between travel cards and card program performance does not imply causality. Distributing more travel cards does not create more travelers or the need for more travel spending. However, the results indicate that high performance travel card programs provide travel cards to all employees who travel on company business more than twice per year and to a significant portion of others in the organization who travel less frequently. By contrast, weak programs do not even provide travel cards to all those employees who travel on company business more than twice per year.
- Monthly travel card spending increases about 75% when a card program goes from a low to a high card distribution status and over 100% when a card program goes from a non-mandated to a “mandated card use” status. The percent of travel spending captured on travel cards is highest (about 86%) when travel card distribution is high and an organizational mandate exists

for use of the company travel card; it is lowest (about 52%) when neither of these conditions is present. Conversely, the percent of travel spending initially paid by employees (and later reimbursed by the organization) is highest (about 43%) when card distribution is low and no organizational mandate exists for travel card use.

- The beneficial effect of high card distribution and mandates on monthly travel card spending by organizations is robust—operating separately and in combination across different size (Fortune 500 to Small Market) private sector organizations.

Common Elements of High Performance (Part 3):

Travel Card Program Management and Control

- Organizations that capture a higher percentage of their travel spending on travel cards differ from other organizations with respect to card program management and control choices.
- With respect to card program management, organizations that capture a higher percentage of their travel spending on travel cards are more likely to: (a) have and distribute travel card policies and procedures to employees, (b) require mandatory initial training of cardholders, (c) maintain an on-going method of communicating updates or changes in card policy information, (d) use a Web site for answering questions and enabling employees to sign up for a travel card. Further, travel card administrators in “high capture” organizations are more likely to periodically review and analyze card spending data.
- In terms of control and accountability, organizations that capture a higher percentage of their travel spending on travel cards are more likely to (a) require that employees formally acknowledge the responsibilities associated with use of the card, (b) have administrators provide

reports on card program performance to management, (c) have Internal Auditors report on the adequacy of the supervisory review of card spending documentation, and (d) engage in data mining to analyze cardholder spending patterns. Further, the “high capture” organizations are more likely to evaluate travel card program administrator performance on the basis of the dollar amount of travel spending on the travel card, number of card transactions, and rebates generated by the program.

Common Elements of High Performance (Part 4):

Travel Card Program Innovations

- Organizations that get the most benefit from travel cards find creative ways to exploit the utility of the card such as integrating card use into cost reduction and vendor management priorities, using expense management and travel card technology, and adjusting business processes to encourage card use.

Common Elements of High Performance (Part 5):

Travel Card-Related Technologies

- Organizations that capture a higher percentage of their travel spending on travel cards are significantly more likely to use an automated expense reporting system and bar-coding technology to track expense reports.
- Forty-one percent of respondents indicated that their organization used an automated expense management (AEM) system. Forty-nine percent of these organizations obtained their AEM system from third party software providers, 22% developed it inhouse, and 19% have it as a component software associated with an enterprise resource planning system.

- The mean total annual administrative costs savings generated by investment in an automated expense management system is \$399,014. The savings estimates range from zero to \$7 million per year. The different types of software do not appear to be equally effective in delivering administrative cost savings, though all respondents indicate high levels of satisfaction with the AEM investment.
- Comparing similar-size organizations that do and do not use an AEM system, respondents that use AEM systems report average total monthly spending that is 80% higher, travel card spending per employee that is 46% higher, and a higher percentage of overall travel spending captured on travel cards.

Liability Arrangements

- Fifty-six percent of travel card programs have a “corporate” and 37% an “individual” liability agreement with the card issuer. “Joint and several” (6%) and “split” (1%) liability are less popular in the market.
- While individual liability agreements exist in 37% of programs, they account for 48% of total travel card spending. By contrast, corporate liability programs (56% of respondents) account for 45% of total travel card spending.
- Individual liability agreements are associated with Fortune 500 and Large Market corporate organizations—larger, older travel card programs with higher than average travel card spending. Corporate liability agreements are associated with relatively smaller organizations with younger travel card programs.

Travel Card Fraud and Misrepresentation

- Fraudulent travel card spending and spending associated with employee misrepresentations about the business purpose of a travel card transaction are very small in proportion to travel card spending. Further, incidents of this nature are infrequent in relation to either the number of travel cards or number of travel card transactions.
- Incidents of fraud account (on average) for less than 1/100 of 1% of travel card spending, or 1 “basis points,” which is the equivalent of \$100 for every \$1 million of travel card spending. In terms of frequency, card fraud occurs (on average) less than one incident per 100,000 card transactions.
- Incidents of employee misrepresentation (on average) accounts for less than 1/100 of 1% of travel card spending, or 1 “basis point,” which is the equivalent of \$100 of fraud for every \$1 million of travel card spending. In terms of frequency, these events occur (on average) less than one incident per 100,000 card transactions.

Employee Non-Compliance

- Incidents of non-compliance with organizational policy are small based upon either incidents per ten thousand card transactions or incidents per thousand travel cards. On average, about 12 card policy violation incidents occur per year for every 1,000 travel cards. Cumulatively, these non-compliant transactions translate into about \$1,630 out of every \$1 million of travel card spending.

Delinquencies

- Organizations with individual liability agreements are affected by employee delinquencies on their travel card bill. On average, 4.5% of the number of employee payments to the card issuer are delinquent in a given month.

- The most popular actions to address delinquencies include use of e-mail, phone, or paper message to notify the employee-cardholder of the problem, providing a list of recalcitrant employees to management for follow-up, and closing the employee’s corporate card account.
- Organizations that capture a higher percentage of their travel spending on travel cards are significantly more likely to take strong measures to bring cardholders payment practices into compliance with organizational expectations (e.g., provide a list of recalcitrant employees to management for follow-up). By contrast, “low capture” organizations are significantly more likely to simply “pull the plug” on the delinquent travel cardholder by closing his or her corporate travel card account.

Travel Card Economics, Service, and Support

- Travel card users appear, on balance, satisfied with factors influencing the economics of the travel card product. They are particularly satisfied with cash advances and foreign exchange transactions.
- Survey respondents indicate many areas of opportunity to increase satisfaction with travel card customer service. At the top of that list would be improvements in the handling of disputed transactions and the quality of the support from the “help desk.” Further, users desire a greater level of assistance in identifying best practice applications and travel card program enhancement opportunities.

Travel Card Data Capture and Integration

- Customers have a particular interest in obtaining enhanced air travel details (e.g., city pair and

travel leg), and hotel folio information, but are less than fully satisfied with the current level of information obtained.

- Respondents report consistent negative gaps between the importance they attach to and their satisfaction with the ease with which card spending can be reconciled to internal organization data about travel, and overall integration of card data into the organizational information system.

Travel Card Program Management and Reporting Technology

- A significant gap exists between the respondents' ratings of the importance of and their satisfaction with technology enabled features such as real-time (a) cancellation of cards, (b) modification of spending limits, (c) access to information on card approvals and declines, and (d) notifications of unauthorized spending.
- Respondents report a gap between their ratings of the importance of and their satisfaction with customer ease in obtaining statements by e-mail or off of the Internet and in identifying the total travel spend with a particular vendor across the entire organization. The former attribute is related to internal organizational administrative efficiency and the latter is significant to a key value provided by the travel card-obtaining leverage with travel service providers based on the travel card spending information.

Travel Card Features

- Travel cards have several unique features and characteristics that may be a component of the card product and service package, such as merchant acceptance, preferred travel services, air miles, hotel reward points, and so

forth. However, "global card acceptance" is far and away the most important feature of the travel card.

- A significant gap still exists between respondent ratings of the importance of, and their satisfaction with, global card acceptance.

Customer Satisfaction and Travel Card Program Performance

- "Customer service" is the top overall demand made by respondents of travel card issuers.
- Issues of greatest importance to card users are very diverse, including global card acceptance, customer service, facilitation of card program administration, and travel card reporting.
- The largest customer satisfaction gaps are associated with information and control. In terms of information, customers want better (a) data capture (particularly, "hotel folio information"), (b) data aggregation to support the attainment of vendor discounts (specifically, increasing the ease in identifying the total amount purchased from a particular travel service provider across the entire organization), and (c) travel card reporting that is customized to their business. In terms of control, customers want enhanced capabilities to minimize exposure to financial risk and to analyze travel card spending data in such a way as to identify potential problems.
- Customers highly satisfied with the most important aspects of the travel card report 57% higher travel card spending per employee and 39% higher spending per card.
- Customers highly satisfied with the most important aspects of the travel card are significantly less likely to be considering switching card issuers.

Switching Behavior

- Twenty-one percent of survey respondents indicated that they are currently considering switching card issuers. The majority (59%) of organizations considering switching are Fortune 500 or Large Market corporations.
- The desire for better service and support, better reporting capabilities, and higher rebates/incentives are the three most important reasons for customer consideration of switching.
- Organizations that are currently considering switching card issuers are less likely to mandate travel card use or utilize card spending data as a basis for requesting higher discounts from vendors.
- The gap between the average rating of the “importance of” and the “satisfaction with” the most important attribute of travel cards-global card acceptance-is twice as large for respondents considering switching card issuers as it is for respondents not considering switching.
- Organizations considering switching report uniformly lower satisfaction with and larger gaps between ratings of the importance of and their satisfaction with the overall: (a) customer service, (b) capture of transaction-related information, (c) integration of travel card data with organizational information systems, (d) ability to self-manage the card program, (e) economic relationship with card issuers, and (f) the reporting package.

Barriers to Travel Card Program Growth

- Open-ended responses to the survey highlight barriers that may undermine travel card program success. Those barriers include employee preferences to use personal cards, company-imposed use restrictions, organizational fear of card misuse, card acceptance by merchants, and creditworthiness of employees.

Travel Card Program Performance of Corporations

- Most corporations expect a period of robust growth in travel card spending in 2005 and steady growth over the next five years.
- Large Market corporations report the highest monthly travel card spending per employee (\$182) and per card (\$886) of the four corporate size categories.
- The majority of Fortune 500, Large Market, and Middle Market corporations mandate travel card use for travel and travel-related expenditures.
- Among all but Small Market corporations, the typical percentage of travel spending captured on the travel card is about 70%.

Travel Card Program Performance of Governmental and Not-for-Profit Organizations

- With the exception of Federal government agencies, travel card spending program performance of governmental entities across several key metrics is significantly below market norms.
- The weakness of travel card programs for states, counties, and cities, and universities can be traced to several possible causes, including low card distribution and relatively few mandated programs. The card-to-employee ratios of state agencies, cities, and counties (13%) and universities (14%) lag far behind Federal agencies (60%) and the market average (23%). Additionally, over 85% of Federal agencies mandate travel card use by employees. However, policies that mandate travel card use are far less common at states, counties, and cities (47%) and universities (18%).

About the Authors

Richard Palmer

is the Lumpkin Distinguished Professor of Business at Eastern Illinois University. Previously, he held appointments at Washington University in St. Louis and the University of Tennessee. Prior to academic work, he worked for Laventhol and Horwath, and as a senior accountant in the banking industry. Professor Palmer is a frequent speaker at commercial card conferences and is the author of over 50 professional and academic publications, including award-winning articles about industry use of e-procurement tools and commercial cards. Richard's e-commerce and commercial card insights have been quoted in CBS News MarketWatch, American Banker, Purchasing, CFO, Treasury and Risk Management, Credit Card News, Cards International, Business Finance, and the Controller's Cost and Profit Report.

Mahendra Gupta

is the Virgil Professor of Accounting and Management at the Olin School of Business at Washington University in St. Louis. He received his Ph.D. from Stanford University in 1990 and M.S. from Carnegie Mellon University in 1981. Professor Gupta currently studies issues in strategic cost management, benchmarking, and performance measurement. Professor Gupta has been published in a number of major scholarly journals in his field and serves on the editorial boards of several journals in the accounting and management profession. He has also authored several professional publications on topics of cost management, customer profitability, commerce, and performance measurement, including articles about industry use and benchmarks of purchasing cards. In addition, he has served as a consultant for a range of financial service and manufacturing firms and governmental agencies.

For information about other business resources from Visa, visit www.visa.com/commercial.

