

AirPlus International Travel Management Study 2017

Part 2

Mobile, virtual and traditional business travel payments

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.

SWITZERLAND 

Are travel managers keeping pace with travelers on payments?

All business trips have one thing in common: they need to be paid for. But how? Corporate and personal credit cards have gradually replaced the oldest methods (cash and invoice) in recent decades. And now there are even newer technologies like mobile payments and virtual credit cards, some provided by big names such as Apple, Google, PayPal and the Chinese giants WeChat and Alipay.

We surveyed 2,270 business travelers worldwide to find out if they prefer the old or the new, or both, when it comes to payments. And we asked travel managers how their companies are paying for travel. The results are essential reading for anyone involved in:

- > Travel management
- > Finance
- > HR
- > Technology
- > Multinational operations



Key study data: For its 12th annual International Travel Management Study, AirPlus commissioned interviews with 963 travel managers and 2,270 business travelers across 24 countries. The interviews were conducted in August-September 2016.

International travel managers

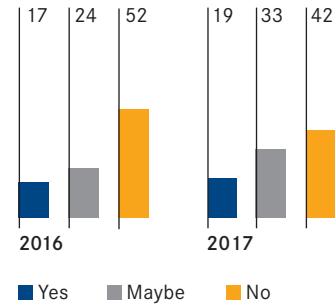
Fear of the new



Strong but declining opposition to new players

Travel managers are more receptive than they were last year to using payment products from new-generation providers such as Apple, Google and PayPal. Even so, only 19 percent give a definite Yes to considering these disruptors for their travel programs. A much larger group of 42 percent still say No. The US is a major exception, with 59 percent saying Yes.

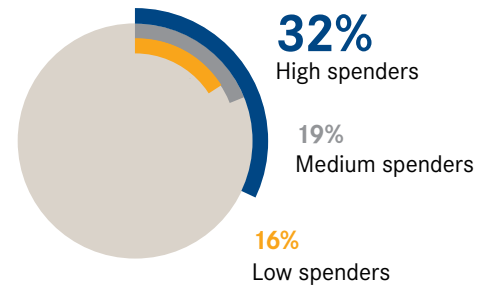
Ready to consider new payment products from e.g. Apple, Google and PayPal?* (No. of travel managers in %)



Larger travel spenders are more progressive

Travel managers at companies with a high spend on travel (above 10 million euros or US dollars per year) are significantly more open to working with new payment players than those with low or medium spend. These figures suggest large spenders are more in tune with their travelers' thinking and are reacting faster to the "consumerization" of corporate travel.

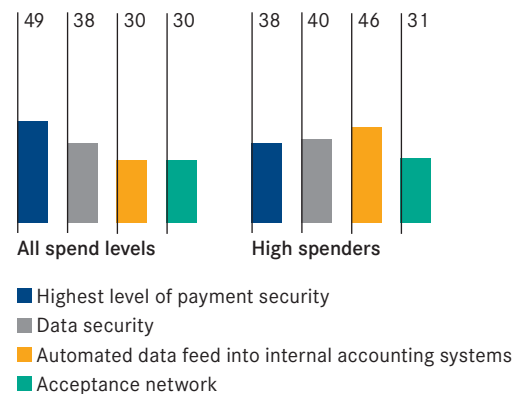
Readiness to consider new payment products according to size of travel spend* (No. of travel managers in %)



Security and data are travel managers' top selection criteria

Travel managers who consider using new payment products were asked about their most important criteria for doing so. Security dominated overall, with payment security first and data security second. But for high travel spenders, where process efficiency and financial integration are crucial strategic priorities, automated data feed into internal accounting systems headed the wishlist.

Top four criteria for selecting new generation payment providers* (No. of travel managers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

International business travelers

Much more enthusiastic about new disruptors

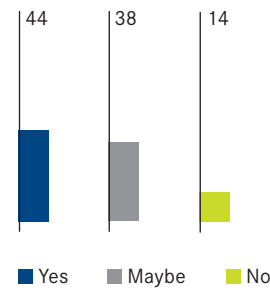


Emerging markets lead the way as travelers embrace FinTech pioneers

Business travelers are much keener than their travel managers to use new entrants like Apple, Google and PayPal for business travel payments. More than 80 percent say Yes or Maybe, compared with 52 percent of travel managers. Enthusiasm is particularly high in non-Western markets, with 80 percent saying a straight Yes in Brazil, 66 percent in Turkey and 63 percent in India.

Ready to consider new payment products from e.g. Apple, Google and PayPal?*

(No. of business travelers in %)

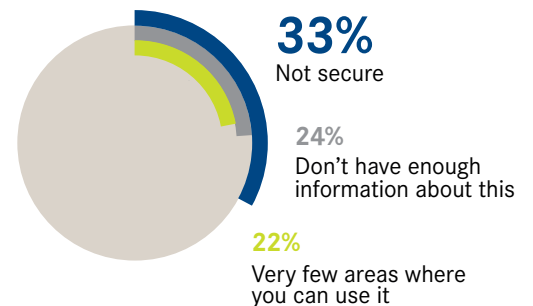


Security is biggest concern for the doubters

Security is the number one reason for those travelers who say No to the new players, followed by lack of information about them. However, in some markets (for example 67 percent in Russia) the major explanation is that very few places exist where you can pay with these new providers.

Top three reasons for rejecting new payment providers*

(No. of business travelers in %)



China is the world's early adopter

The days of China trailing the rest of the world when it comes to payment and travel technology are gone. Today, the situation has reversed. China has leapfrogged the Western model of online booking and corporate credit cards and gone straight to

mobile booking and mobile payments. In the country's largest cities it is becoming increasingly common for citizens to go out without a purse or wallet and take only a mobile device instead, paying using products like WeChat and Alipay.

Examples of Chinese business travelers leading the world in the ITMS results include:

- > Only 2 percent say they would not consider using new payment providers, the joint-lowest figure for any country
- > 91 percent already make payments by mobile devices, the highest figure worldwide and way ahead of the global average of 44 percent
- > 60 percent make mobile payments for both personal and business expenses, the highest figure worldwide



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

International travel managers

How their companies pay for travel



Older payment methods remain popular

Corporate cards are the most common payment method used in companies either before or during business trips. The next three most common choices – cash, private cards and invoice – are not generally considered good practice. They are used more widely than lodge cards (also known as centrally billed accounts) and virtual credit cards, both of which are considered to be best corporate practice.

Travel payment methods*

(No. of travel managers in %)

10%
Pre-paid card

11%
Virtual credit card

23%
Lodge card

41%
Invoice

63%
Corporate credit card

45%
Cash

45%
Travelers' personal card

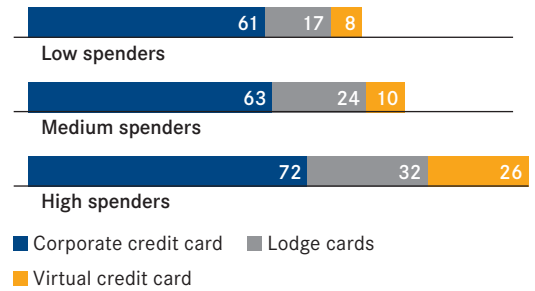


High spenders more likely to follow payment best practice

Companies with a higher spend on travel are significantly bigger users of the three payment methods – corporate credit cards, lodge cards and virtual credit cards – that are considered good corporate practice. Benefits include improved process efficiency and data reporting.

Travel payment methods*

(No. of travel managers in %)

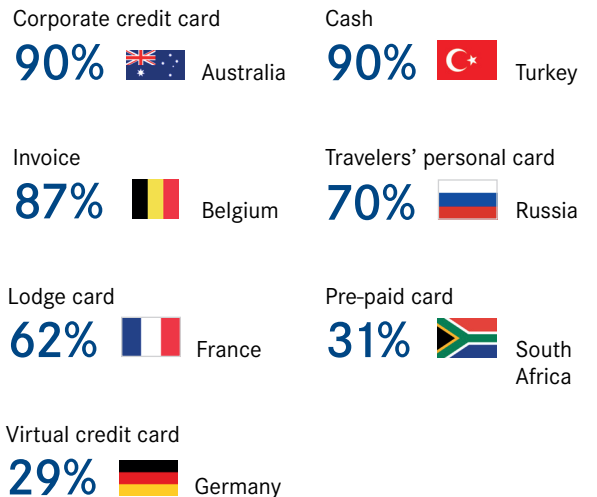


Payment preferences vary significantly by country

Each of the 24 countries in the International Travel Management Study has a very different payment profile. The figures suggest businesses with multi-national travel programs need several payment options to cover their global requirements.

Top users of different payment methods*

(No. of travel managers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

International business travelers

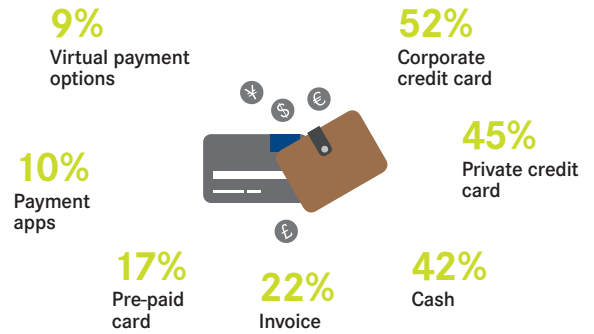
Credit cards are the number one choice



Travelers still like their corporate cards

Travelers' most preferred payment option during a business trip is plastic. Corporate credit cards are the firm favorites worldwide, followed by personal credit cards, just ahead of cash. Virtual payment options score low – but travelers may not always realize when virtual payments are being used on their behalf. In five countries (USA, UK, France, China and Brazil) personal cards are the most favored option.

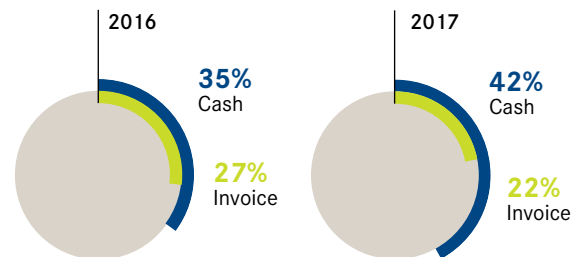
Preferred two payment options during a business trip* (No. of business travelers in %)



Cash back in fashion, while invoices are in decline

Surprisingly the number of travelers preferring cash has risen from 35 percent last year to 42 percent this time – the biggest change for any payment option in the study. A possible explanation is that travelers are visiting more out-of-the-way locations and may fear cards are not accepted. Invoices, increasingly regarded as an inefficient payment method, have declined in popularity.

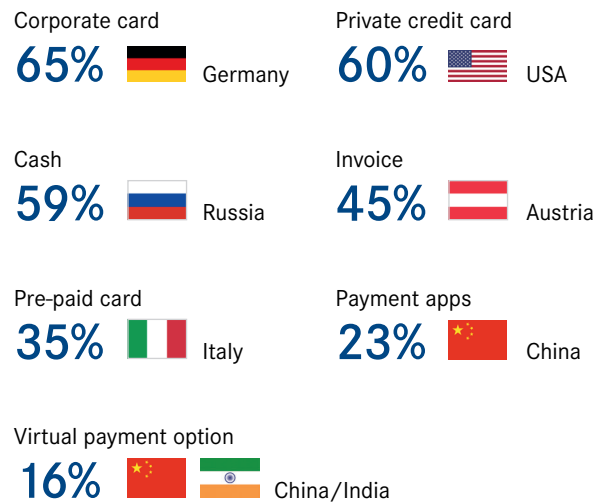
Travelers that want to use ...* (No. of business travelers in %)



Different payment methods have different national champions

As is the case for travel managers, travelers vary significantly by market in their preferred on-trip payment preferences. For example, Germany is the biggest fan of corporate cards and the USA of private credit cards, whereas payment apps are most popular in China and virtual payments in India. The figures suggest once again a one-method-fits-all approach does not work globally.

Top country by payment type* (% in each country which use that payment option)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

International travel managers

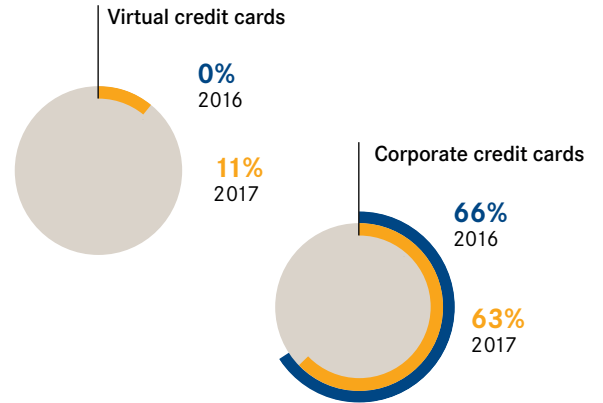
Balancing new and old payment practices



Businesses start to use virtual credit cards

Virtual credit cards have arrived. Last year fewer than 1 percent of respondents said their company was using this payment method. This year that figure has shot up to 11 percent. Although they have many applications, virtual cards are primarily used today as an alternative to corporate credit cards for hotel bills. Is it a coincidence that the number of companies using corporate cards this year has slipped from 66 to 63 percent? It is too early to reach any conclusions, but it is worth monitoring.

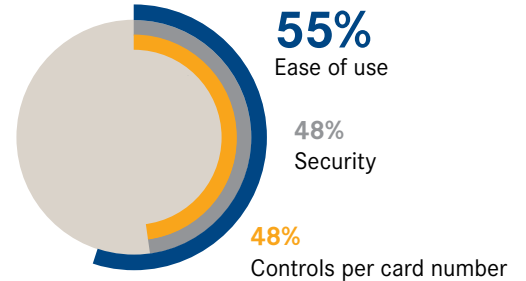
Number of companies using*
(No. of travel managers in %)



Ease of use tops virtual credit card benefits

Virtual credit cards have a big future in payments, because they suit digital technologies very well and offer a wide range of benefits to travelers and employers alike. Among companies that already use virtual cards, the top three advantages are judged to be ease of use, security and ability to control exactly how each card number can be used, including maximum spend and the merchant.

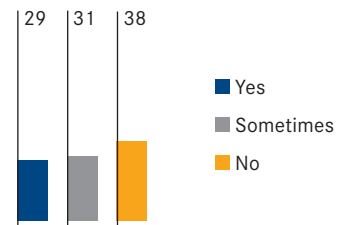
Top three benefits of virtual credit cards*
(No. of travel managers in %)



Cash advances haven't gone away

Issuing cash advances creates many problems. They are admin-heavy, insecure and lack transparency into what travelers spend. Yet in 2017 many businesses still operate this old-fashioned procedure. Only 38 percent of travel managers say their company no longer issues cash advances for business trips.

Companies that issue cash advances*
(No. of travel managers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

International travelers

Mobile payment has become normal



Almost half of business travelers have paid via mobile

Using a mobile device as a payment tool is no longer tomorrow's world. In 2017 it is common practice. No fewer than 44 percent of business travelers worldwide say they already make mobile payments. On average European countries are more reserved than non-European countries. Only 35 percent of the European travelers are using mobile payments, while 55 percent of travelers from non-European countries use them. In the Asia-Pacific region 62 percent of all travelers use this technology.

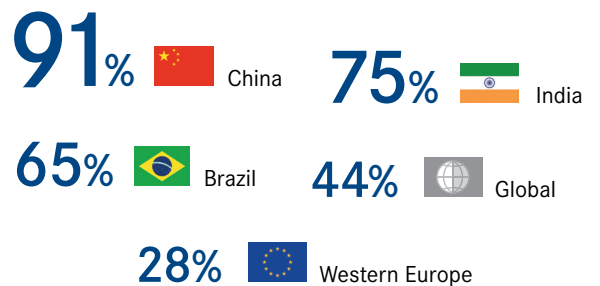
Business travelers paying by mobile device* (No. of business travelers in %)



Mobile payment is a leapfrog technology

Mobile payment has taken off far quicker in emerging economies. By far the biggest user is China, followed by India and Brazil. Western Europe is lagging a long way behind. At least 44 percent of Italian business travelers use mobile payments. But in contrast only 24 percent of French travelers use it. Belgium has the biggest concerns about this method. Here only 21 percent of travelers use mobile payments.

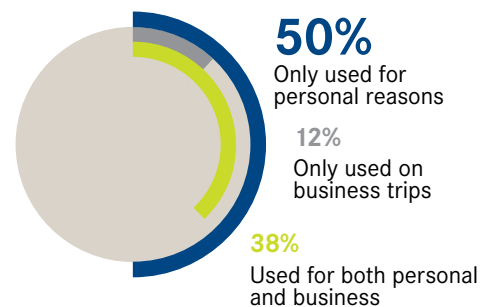
Business travelers paying by mobile phone* (No. of business travelers in %)



Corporate mobile payment trails the consumer market

Although 44 percent of corporate travelers have paid by mobile device, significantly more have made those payments for personal use than for business trips. As is the case with much digital technology, the corporate world is lagging behind the consumer world.

Purpose for which business travelers have used mobile payments* (No. of business travelers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

Swiss travel managers

Out with the old – but not yet in with the new



Not ready yet for digital payment

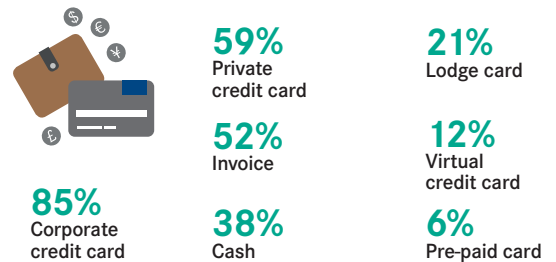
Swiss travel managers' attitudes towards corporate travel payments are beginning to change. They are trying to reduce reliance on cash, and favor corporate and personal credit cards instead. However, they are not yet convinced by newer digital payment methods.



Corporate and personal credit cards dominate travel payments

Swiss companies are very keen on plastic. An overwhelming 85 percent use corporate cards to pay for pre-trip and on-trip expenses. And, at 59 percent, Switzerland has the third-highest proportion globally of companies using private credit cards. Conversely, Switzerland has significantly fewer companies using lodge cards (also known as centrally billed accounts) than the Western European average, although it is close to the global average of 23 percent.

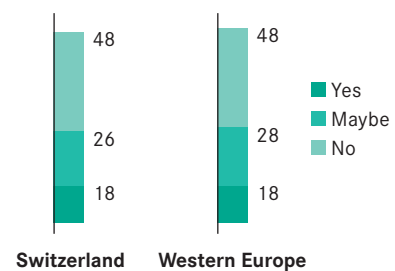
Payment methods used by Swiss companies*
(No. of travel managers in %)



Mixed views about new payment players

Almost half of Swiss travel managers say they will not consider new payment players like Apple, Google and PayPal. The figure of 48 percent is identical to the Western European average. However, that means almost as many (44 percent) either are willing to consider the new players, or are saying Maybe.

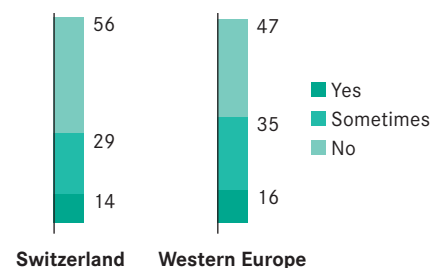
Willingness to consider new payment players*
(No. of travel managers in %)



Trying to move away from cash

Fewer than half of Swiss companies still issue cash advances to employees – somewhat below the Western European average and indicating a successful move beyond at least some old-fashioned payment practices. Even among those who maintain the practice, 54 percent give advances to fewer than one-tenth of travelers. Some major Swiss-based spenders on travel visit a diverse range of countries, in which cash is often extremely important.

Issuing of cash advances*
(No. of travel managers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

Swiss business travelers

A preference for traditional payments



Reluctance to change

Swiss travel managers and business travelers take a conservative view on payments. They surprisingly often use cash or private credit cards on business trips, although neither is considered the best option for administrative efficiency and financial transparency.



Cash is still king for travelers

Although Swiss travel managers are trying to eliminate cash, their travelers see things differently. Cash is Swiss travelers' most popular payment type – the figure of 56 percent being the second-highest worldwide – only Russia shows higher figures. Swiss travelers are also notably keen on using private credit cards on their business trips; more than half of them prefer this means of payment.

Preferred payment options during a business trip* (No. of business travelers in %)



56%
Cash

51%
Private credit cards

48%
Corporate credit cards

22%
Invoice

12%
Pre-paid cards

6%
Payment apps

5%
Virtual payment options

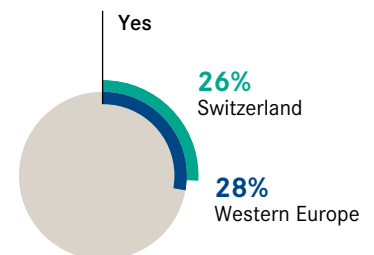


Low uptake of mobile payments

In common with the rest of Western Europe, far fewer business travelers in Switzerland than in other parts of the world already use their phones to make mobile payments. Even so, with just over one-quarter saying Yes, the technology has gained a foothold and will surely continue to grow.

Already paying by mobile phone?*

(No. of business travelers in %)

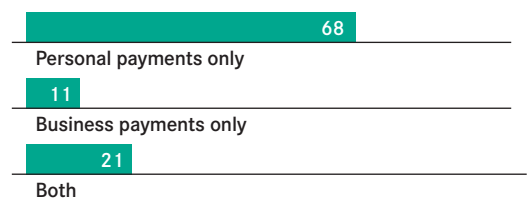


Consumer payments dominate mobile usage

Among those Swiss travelers who do pay by phone, the great majority uses the technology to make personal payments only. However, nearly one-third say they have made a business payment by phone.

Purpose of mobile payments*

(No. of business travelers in %)



* Where percentages do not total 100%, this is due to respondents not answering this specific question.

Summary

New payment methods gain ground



Travel managers continue to mix and match

Most travel managers are cautious about using new digital payment players like Apple and Google for business trips. However, their position is softening, especially among companies with high travel spend wanting to “consumerize” their travel programs. Cash, private credit cards and invoicing remain common payment methods, in spite of their many inefficiencies. Higher spenders are much more likely to adopt effective payment options like corporate credit cards, lodge cards and – increasingly – virtual credit cards.



Travelers are already embracing mobile payment

Business travelers are much keener than travel managers to try the new digital players. And nearly half of them already use mobile payments today, although mainly in their private lives. Travelers from emerging economies are leading the rush towards mobile payments. The biggest skeptics are in Western Europe, who worry mainly about security.



Switzerland moves slowly towards new payment methods

Switzerland is not an early adopter of new-generation corporate payment methods, but its travel managers are trying to enhance their practices. Swiss travel managers are very enthusiastic about plastic, both corporate and private, while attempting to scale down the use of cash. However, mobile payments are currently of limited interest to them compared with travel managers in other countries. The same is true of Swiss travelers, for whom, a little surprisingly, old-fashioned cash remains the number one preference.

2017 – Business travel payments at a glance

- > Mobile payment is already common, especially in China – but mainly for private purposes
- > Business travelers are much keener than travel managers to work with new digital payment players
- > Corporate cards remain the most common payment method for business travel
- > Payment preferences vary strongly by country. A one-type-fits-all approach won't work
- > In spite of some countries trying to go cashless, more companies are finding they need cash for business trips



AirPlus International AG
Obstgartenstrasse 27
8302 Kloten
Switzerland

T + 41 (0)43 210 37 50

F + 41 (0)43 210 37 51

zuerich@airplus.com

www.airplus.com