AirPlus INTERNATIONAL

ACTE GLOBAL — ASSOCIATION OF CORPORATE TRAVEL EXECUTIVES

Central Billing Reinvigorated.

Central Bill Programs Emerge as an Integral Part of Best Practice Payment Solutions.

AIRPLUS. WHAT TRAVEL PAYMENT IS ALL ABOUT.

Central Billing Reinvigorated.

A challenging economy has applied increased discipline to the practice of travel management. As demand for tighter controls and better data ripple through the ranks of corporate travel stakeholders, central bill payment programs emerge as an integral part of the solution.

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Executive Summary

The global recession has had a transformative effect on the practice of travel management. As one of the top two or three controllable expenses for a given corporation, travel bore the brunt of the economic recession perhaps more than any other single category of corporate spend. It was not uncommon in 2009 for a company to report travel budget reductions of 50 percent or more. As we enter the second half of 2010, companies remain hesitant to loosen the reins.

Consequently, most corporations have implemented a much more disciplined approach to their travel management practices. While demand management has permeated the travel management space, companies have focused on data as the key to gaining the business intelligence that will allow them to make the most strategic decisions around travel. In the new travel management environment, companies have identified the following among their most important objectives:

> Manage compliance more closely
> Increase data capture and data quality
> Streamline the process to achieve better data quality
> Customize and consolidated data to better identify optimization opportunities
> Use data more effectively to negotiate with suppliers
> Report on travel activities more frequently to upper management

Corporate payment programs have proven an invaluable tool for driving compliance and improving data capture, but corporations must choose a payment strategy that will maximize control and minimize the effect of outside influences, such as personal credit limits and risk of non-payment. Central billing systems are widely recognized as the most disciplined approach to spend management. Central billing is particularly strong in Europe though in recent years some corporations in the United States had migrated away from these solutions as individual liability programs allowed them to push credit liability off their books and onto their employees.

As complications have developed for individual liability and best-in-class central bill solutions have rolled out increased coverage and compelling data delivery benefits, interest from U.S.-based companies in central bill has experienced some resurgence. This white paper will offer corporate travel stakeholders the latest research on central billing payment solutions and allow them to gain insights into how this payment model can bring increased discipline to travel management and positively impact the company's bottom line.

About the Survey

To explore how attitudes toward payment solutions have changed among travel management stakeholders who have weathered the weak economic environment, AirPlus International in partnership with the Association of Corporate Travel Executives (ACTE) fielded a research study in February 2010. The online survey was distributed worldwide to members of ACTE and returned 186 qualified responses.

The online survey was followed by one-on-one interviews with select respondents to gain a deeper understanding of current travel program pressures and the challenges travel stakeholders must address with the help of their payment solution providers.

Survey respondents represented a cross-section of travel programs, with annual global air spend ranging from less than $1 million to more than $100 million and with the total number of travelers ranging from under 100 people to more than 10,000 people (fig. 1 and fig. 2).

Figure 1: What is your company's approximate annual global air spend?

Less than $1M	5.1%
$1M to under $5M	19.1%
$5M to under $10M	17.8%
$10M to under $25M	19.1%
$25M to under $50M	10.2%
$50M to under $100M	16.6%
More than $100M	12.1%

Figure 2: Approximately how many people in your company incur travel-related business expenses?

1 to 99	3.2%
100 to 249	7.0%
250 to 499	5.1%
500 to 999	12.1%
1,000 to 2,499	21.0%
2,500 to 4,999	14.0%
5,000 to 9,999	13.4%
10,000 or more	24.2%

Survey Results

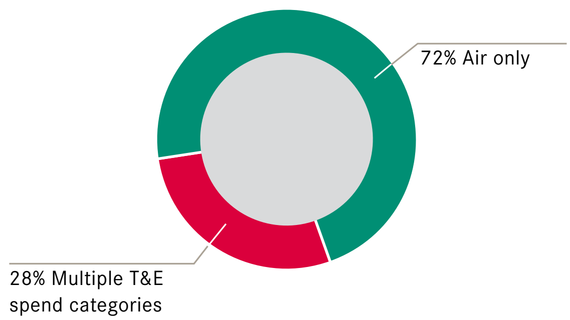
Section I: Payment Solution Realities

It's no secret that corporate travel expense has been under the microscope in a weak global economy. In addition to slicing travel budgets, companies have intensified their focus on travel data to increase compliance, enrich their supplier relationships and squeeze more value out of scarcer travel resources. Because of the quality financial data they are able to supply, corporate payment solutions have proven a vital tool for mature travel management programs.

The choice of the payment model is a key decision for travel management, procurement and senior executives. Individual liability corporate card programs, which place responsibility for payment in the hands of employees, have gained traction in recent years. These payment solutions have allowed corporations not only push some credit liability off their books but also allowed them to reduce time spent reconciling centrally billed charges by pushing the reconciliation and accounting function to individual card holders. When managed well, such programs can be effective, but they can present several challenges, such as driving compliance to the program, employee inability to qualify for credit and/or employee non-payment. With an individual liability corporate card program, only this might also present increased risk for internal employee misuse and external fraud.

A central bill ghost/lodged card model, where a company lodges an account with its travel agency partner and pushes a portion of travel purchases—usually larger purchases like air and rail—through the agency, is widely considered the most disciplined approach to managing travel spend. It not only alleviates the need for employees to take on payment responsibility for the most significant corporate travel charges, it also encourages compliance and increased data capture as certain categories of travel purchases must be transacted through the central account. That said, a company should have the right culture and a solid foundation of policy and processes to ensure the best results for a central bill approach.

Figure 3: Your ghost/lodged card is used for...



"In the small to mid-market travel arena, we are certainly not alone in using a lodged card. It is the way the industry is headed as far as I can see."
– Corporate Travel Manager, Infrastructure Software Company

The weak economy has reinvigorated interest in a more disciplined approach to travel management overall and by extension has sparked renewed consideration of central bill payment solutions. It is often considered best practice to use individual cards for expenses incurred while travelers are on the road, while companies can optimize their program by using a ghost/lodged card for the larger costs incurred at the time of booking of all pre-trip expenses.

Among all survey respondents, nearly 72 percent used a central bill ghost/lodged card to purchase some category of travel. Of those users, 72 percent used the lodged card for airline purchases only, which has been the traditional purview of central bill solutions and is considered a best practice, while 28 percent have extended their use to multiple travel categories, such as rail, car, hotel and meetings purchases (fig. 3).

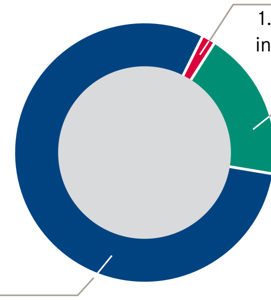
Section II: A Growing Desire for Data

Regardless of the favored payment solution, the data derived from a strong payment program should support effective travel management efforts in good economic times or bad.

According to the survey, nearly 80 percent of all respondents indicated that the importance of travel-related data transparency has increased within their companies in the last 18 months (fig. 4). Interestingly, among c-level executives and travel management titles, only about 75 percent cited this increased data focus. Among procurement and finance titles, however, a full 96 percent cited an increase focus on data, indicating that these individuals are leading the charge for data-driven travel management.

Among these companies, travel stakeholders said they have taken multiple actions to increase travel-related data transparency during the same period. First and foremost, responding companies have focused on driving increased policy compliance (see fig. 5) as there is a direct correlation between traveler compliance and visibility into travel activities:

Figure 4: In the past 18 months, has the importance of travel-related data transparency changed within your company?



Travelers using sanctioned booking channels are not only more likely to book with preferred suppliers and take advantage of negotiated savings in the near term, but booking through proper channels improves the accuracy of pre-trip data and the quality of TMC reporting. Travelers using a preferred payment solution support TMC booking data with actual payment data and often can bring data on ancillary travel spend—such as meal purchases and client entertainment—into the picture for a more comprehensive view of travel activities. By filing expense reports on time, compliant travelers ensure that company travel data stays as complete and as current as possible for managing supplier relationships and making strategic business decisions about the travel program.

Running a very close second to increasing compliance, nearly 60 percent of responding companies have requested more customized reports from their TMC and credit card suppliers in an effort to gain increased insights into savings opportunities, compliance challenges and overall travel patterns that could influence supplier decisions. Follow-up interviews with

respondents revealed that many had access to custom reports before the economic downturn, but as a weakened marketplace forced travel cutbacks, they not only requested more reports but communicated the data to upper management on a more frequent basis. For companies whose key partners were not able to supply them with the data required, forging new relationships was a priority. About 13 percent of responding companies changed their TMC and/or credit card relationship during the last 18 months in an effort to increase access to more detailed data.

"There was a lodged account here before, but I am favoring an option that is owned by an airline and because of that has access to bilateral proration agreements. It will give me coupon-level allocations. Most card companies don't have access to that type of information." – Global Travel Manager, Corporate Server Security Software Company

Figure 5: What actions has your company taken in the past 18 months to increase travel-related data transparency?

Drove increased policy compliance	62.9%
Requested more custom reports from TMC/credit card suppliers	59.6%
Strengthened policy mandate	54.5%
Collected and analyzed data from additional sources	51.1%
Changed credit card relationship	12.9%
Changed TMC relationship	12.4%
None	5.6%
Other	5.1%

* Answers total more than 100 percent due to option to choose multiple responses

Section III: Reporting Capabilities Are Key

Asked about which attributes of a corporate payment solution were most important to the travel program, nearly 80 percent of survey respondents overall cited reporting capabilities. The data function narrowly beat out more traditional criteria, such as ease of use for travelers (78.5 percent) and global acceptance (78.5 percent) as the most important attribute of the payment relationship (see fig. 6). Among c-level executives, ease of use was most important, while procurement and finance vice presidents pegged global acceptance as their most pressing concern—likely as a prerequisite for acquiring the most comprehensive data possible. Travel titles, which made up the majority of survey respondents, put reporting capabilities over the top, with nearly 86 percent citing it as most important.

Figure 6: When assessing corporate card providers, what attributes were most important to your travel program?

Reporting capabilities	79.8%
Ease of use for travelers	78.5%
Global acceptance	78.5%
Ease of implementation	68.1%
Ease of reconciliation	63.2%
Integration of data into enterprise accounting system	61.3%
Richness of data provided	60.1%
Customer service	58.9%
Corporate rebates	53.4%
Global issuance	42.9%
Corporate rewards/travel points	17.2%
Recommended by agency/consultant	7.4%

As data reporting has surpassed more traditionally valued attributes of corporate cards, buyers have demanded better functionality and more accurate, granular information (fig. 7). The ability for a payment solution to provide centralized reporting—i.e. the ability to gather data from multiple sources into a single report—proved the top priority for survey respondents. This was followed closely by the ability to provide enough data detail to reconcile expenditures, which continues to be a significant challenge according to survey respondents who participated in follow-up interviews.

The opportunity to customize reports by region, division, department or traveler codes also ranked high with respondents—another indication that travel stakeholders are pushing for more granularity to give them the insights they need to optimize programs and convert savings. And they want that data to be automatically integrated into their existing enterprise accounting systems to alleviate manual processes that increase the costs of managing travel.

While access to real-time data ranked last on the list of reporting requirements, it remains a growing need for best-in-class travel management programs, where traveler safety and risk management programs are a top concern.

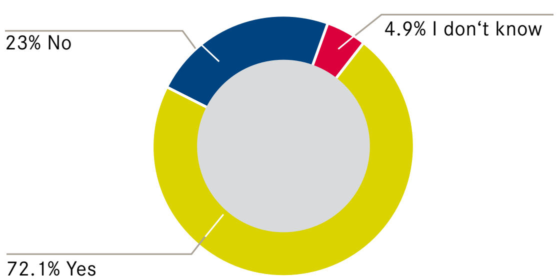
Figure 7: Rate the importance of the following elements of corporate travel /entertainment reporting (5=Very Important)

Ability to get centralized data/reporting	4.55
Provide enough detail to reconcile expenditures	4.41
Ability to customize reports (by region, division, dept., etc)	4.34
Integration into existing enterprise accounting systems	4.34
Timeline to deliver custom reports	4.28
User-friendly navigational interface	4.24
Ability to track historical data	4.19
Ability to access real-time data	4.15

Section IV: Central Bill Measures Up

Pressures to improve compliance and data mounted over the last 18 months for companies across the board. Whether responding companies used a central bill ghost/lodged card or another type of payment solution, 80 percent of companies cited increased importance in data transparency. With that in mind, more than 72 percent of central bill users surveyed indicated that their ghost/lodged card improved transparency for travel expenses (fig. 8).

Figure 8: Does the ghost/lodged card improve transparency for travel-related expenses?



They singled out two specific areas of strength:

Traveler Compliance

Survey responses strongly indicated that ghost/lodged cards improved traveler compliance, a vital component of data transparency. Among all users of ghost/lodged cards, more than 67 percent agreed that compliance to preferred booking channels is improved by using the central bill payment solution and the majority of central bill users saw better compliance with expense management policies (fig. 9).

Figure 9: Does the ghost/lodged card improve traveler compliance to...

	Yes	No	I don't know
Preferred agency/ online booking tool	67.5%	28.2%	4.3%
Expense management policies	51.3%	37.6%	11.1%

Compliance to a preferred agency or online booking tool is particularly important. Strong use of sanctioned booking channels not only allows companies to capture the best pre-trip data possible but also enhances their ability to guide in-policy purchasing behaviors and direct travelers to other preferred suppliers—air, rail, car and hotel. By increasing compliance to the agency or online booking channel, the ghost/lodged card becomes a key management tool for increasing travel policy compliance overall.

This chain of influence ultimately reduces the total cost of travel, produces better data and puts the company in the best possible position to negotiate with their suppliers.

Traveler compliance to expense management policies also enhances a corporation's efforts to analyze and understand its travel activities. Indeed, the expense report generally provides the most comprehensive view of travel data, but can only be obtained after travel is completed. Consequently, timely expense report filing is a vital component of effective travel management, but expense policies certainly include other elements. Reasons for denial or delay in reimbursement can include failure to use the mandated agency or online booking tool and booked travel data that is inconsistent with purchased travel data. Both of these issues can be mitigated with a ghost/lodged card.

A central bill ghost/lodged card clearly supports compliance with the mandated booking channel, per survey responses. When it comes to matching booked and purchased travel data the ghost/lodged solution is likely to perform better than other payment solutions as the booking channel and payment mechanism for airfares—often the source of complications—are already linked. Indeed, central bill offers the most disciplined approach to travel payment for most pre-trip expenses. For on-the-road charges, a corporate card program should be considered as a complement to central bill. Best-in-class payment solutions providers not only provide both types of cards, but have improved data reporting and integration offerings to ensure optimum visibility into all card data.

Data Reporting

The ability of the ghost/lodged card to increase compliance was just one side of the central bill story. Survey respondents identified better data capture as another advantage. Their ability to serve the right data, when and how it was needed, emerged as a clear point of difference for central bill payment solutions.

Reporting capabilities from central bill solutions appeared far more robust than those of other types of payment solutions (see fig. 10), evidence of recent developments for best-in-class central bill payment providers. Among exclusive users of central bill/lodged card solutions, more than 70 percent noted use of customized, online reporting systems that allowed them to access data on demand. That compares to only 49 percent of non-users who have access to this type of online reporting technology. Nearly 60 percent of exclusive central bill users were also able to receive automatically reconciled data from their supplier as well as global data consolidation, saving the accounting and finance function the time and costs associated with reconciling mismatched or missing data fields.

Figure 10: Which of the following features does your organization's current payment solutions provider offer?

	Uses Central Bill Exclusively	Does Not Use Central Bill
Customizable Online Reporting	70.2%	48.9%
Data Reconciliation	59.6%	51.1%
Global Data Consolidation	59.6%	42.6%
Detailed Expense Reporting	59.6%	48.9%

Follow-up interviews with a cross-section of central bill users indicated that the richness of the data was a key benefit of their current ghost/lodged card solution and several noted that they had recently changed payment providers in order to get it. Interviewees cited three major benefits that correspond with the top reporting requirements identified by survey respondents:

> More detailed data – Most corporate card solutions should provide Level 3 data for all T&E charges. Level 3 data allows companies to see sales tax, freight, duty and line item details for most purchases (product/service, quantity, item amount, etc.). The relationship of most central bill products with airlines, however, allows this type of payment solution to provide data detail on the segment level as opposed to the ticket level. Given the complexities of current airline partnerships, this can provide additional insights into actual supplier usage, which is clearly advantageous for sourcing the right airline partners (see sidebar, this page).

> Extended company data fields – A best-in-class central bill solution offers additional data fields on each transaction for the client to attach multiple company codes, such as a division code, department code, project code, individual traveler code, etc. In addition to easier reconciliation, interviewees cited the ability to access highly customized reports and gain visibility into more granular sets of data. Ideally, this data is captured in the booking process and provided automatically in the reporting or data integration with T&E systems.

> Centralized data from multiple sources – Best-in-class central bill partners were able to consolidate data from multiple sources to provide a more accurate picture of corporate travel activities. Their central bill reporting engines could be configured not only to pull data from the preferred agency and/or online booking tool but also from corporate cards, airlines, GDS and back-office systems. The result was a robust set of reports that reconciled pre-trip, payment and post-trip expense data to be used for supplier negotiations.

The survey showed, however, that most respondents had some understanding of the benefits of central bill overall. Among all respondents, including those companies that did not use a central bill payment solution, central bill ghost/lodged cards were identified by the majority as superior to other payment solutions for travel overall—not just in a handful of discrete attributes. Fifty-seven percent of total respondents indicated that ghost/lodged cards were "somewhat better" or "much better" than other corporate travel payment options (fig. 11). This is a sign that the demand for the control offered by central bill solutions may be on the rise.

Figure 11: How do ghost/lodged cards compare overall to other payment solutions?

Much better	22%
Somewhat better	35%
Same	31.3%
Somewhat worse	9.1%
Much worse	2.5%

Case In Point: African Development Bank

Organization Headquarters: Abidjan, Ivory Coast
Temporary Relocation: Tunis, Tunisia
Field Offices: 23
Number of Employees: 1,491
Central Bill Payment Solution: AirPlus International

Data clarity, reporting and access were the primary reasons that the African Development Bank (AfDB) selected a central bill ghost/lodged solution for airlines purchases in 2007. The organization, which is temporarily headquartered in Tunis, Tunisia, had been challenged to identify an airline partnership strategy, thanks to the complex interline and marketing partnerships the organization needed to navigate in order to meet the complicated travel itineraries of their internal clients.

"There are a lot of airlines that are not present [in Tunis], which are used as part of our travel itineraries" said Nnenna Nwabufo, manager of support services division, general services and procurements department for African Development Bank. "We issue tickets on these airlines as part of

an itinerary on another airline, so what we need to report is not the volume of business on the airlines based on tickets issued but most importantly the volume based on the actual airlines flown."

Detailed data reports from AfDB's ghost/lodged account were able to show on a flight-segment level that many travelers were actually using one or two airlines which were not represented in Tunis; and these two airlines actually enjoyed a good percentage of the organizations business. One of them was actually one of the top six, higher than some airlines that are represented locally. Armed with this type of information the travel manager is able to approach the airline in order to negotiate a partnership agreement.

"We get much more granular information about the airline, and it's much more transparent and most importantly available at the tip of our fingers," she said, noting that data reconciliation has also improved. "More and more, our statistics are aligned with what the airlines have."

Section V: A Global Perspective

Despite the demonstrated compliance, data and process benefits of central bill ghost/lodged cards, adoption rates have lagged in specific regions. Survey results showed that only 60 percent of travel managers with authority over the Asia/Pacific region currently use a ghost/lodged card for their travel management programs (fig. 12), whereas all other regions appear generally on par with one another—landing at approximately 70 percent using central bill among their mix of payment solutions.

Figure 12: Does your company use a centrally billed ghost/lodged card for T&E?

Mgmt. Authority	Yes	No
Africa	67.7%	32.3%
Asia/Pacific	60%	40%
Canada	72.9%	27.1%
Europe	73.1%	26.9%
Latin America	71.9%	28.1%
Middle East	69.7%	30.3%
United States	70.6%	29.4%

For Asia/Pacific, this may actually represent a cultural resistance to use of credit in general. Even in large cities, the marketplace operates largely on a cash basis. For lodged cards, the smaller TMCs that have emerged in the region often prefer to work with paper invoices despite the labor-intensive manual processes associated with them.

Pockets of resistance to centrally billed payment solutions are likely to persist in niche markets, and previous reports seem to show that one large market—the United States—largely moved away from the use of ghost/lodged cards. The research for this paper suggests that travel stakeholders with responsibility for buying/managing travel in the U.S. are on the same level as their colleagues around the world when it comes to using central bill ghost/lodged cards. With usage among these respondents just north of 70 percent, the numbers put U.S. programs within three percentage points of their European counterparts.

Payment solutions suppliers maintain that for the past several years, U.S. companies have trended toward individual liability programs—pushing responsibility for travel purchases onto their employees, even for such substantial charges as last-minute airline tickets. In addition, the U.S. population in general is highly leveraged with credit issuers and has, therefore, proved willing to taking on more for the sake of their companies.

Is the tide really changing in the U.S. or is there an underlying trend that is artificially moving the needle? It‘s likely to be a little bit of both.

The Influence of Globalization

Among survey respondents, 44 percent indicated that they were responsible for global travel programs. Indeed, the push toward global programs has intensified during the international economic recession, as companies look for ways to streamline travel management functions as well as drive down costs. Some sources report that globalization can reduce total travel program costs by 20 percent, so the pressure is high to find those efficiencies.

As any global travel program manager can attest, the phrase “think globally, act locally” is especially appropriate when it comes to payment solutions. Local attitudes toward corporate credit cards, actual card acceptance, local laws and regulations vary widely from region to region and necessitate payment flexibility for global travel programs. With this understanding, it is possible that the survey numbers for usage of ghost/lodged accounts by travel stakeholders with authority over U.S. programs is partially inflated by the fact that now, more than ever, these individuals also hold authority in additional regions where central bill is more prevalent.

On the flip side, travel stakeholders with authority over multiple regions see the compliance and data benefits of central bill accounts—and the challenges presented by individual liability even in the United States. As a result, more companies could be reconsidering their payment solutions strategies for the U.S. and migrating once again toward a blended use of payment solutions that includes the central bill ghost/lodged card.

Conclusion

Companies of all sizes and all industries report that the current, more disciplined approach to travel management has become best practice for them and is here to stay. Executives have seen the ability of comprehensive policy and tighter controls to avoid costs and generate the savings that can positively impact the company's bottom line. They want to see it continue; and they will undoubtedly press travel stakeholders to further optimize the program.

As a vital part of that disciplined approach, central bill payment solutions have proven their effectiveness and are likely to be considered the gold standard of travel management. The results from this survey clearly demonstrated that for companies that want to drive compliance, capture better data and access more robust reporting tools, central bill payment solutions can provide the insights they need to make targeted business decisions about corporate travel.

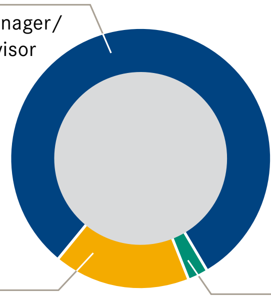
Accurate, informed decision-making is indeed the future of travel management. As most companies have trimmed all the fat from their travel programs, even small changes can have significant effects on the business objectives of travel. But if a company has not incorporated central bill into their preferred payment mix, they should consider the benefits to be had from such a shift. There has never been a better time to take advantage of what the central bill payment model has to offer.

Appendix

To facilitate deeper analysis of payment solution trends, survey data was tracked across three criteria:
> Job title
> Company's current use of a central bill ghost/ lodged payment solution
> Geographic region(s) over which respondent held travel buying or management authority

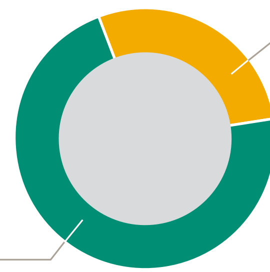
Overall, job titles of respondents were weighted heavily on travel management, with slightly more than 80 percent holding travel manager, director or supervisor roles. Nearly 17 percent of respondents cited a vice president/procurement/finance title and about 3 percent held c-level leadership positions (fig. A1).

Figure A1: Which of the following corresponds to your current job title?



Nearly 72 percent of respondents currently used a central bill ghost/lodged payment solution for travel and entertainment expenses (fig. A2)

Figure A2: Does your company use a centrally billed ghost/lodged card solution for T&E?



Finally, respondents held travel buying and/or management authority in diverse geographic regions, giving researchers an excellent sample of programs from which to identify patterns and trends. In addition to citing specific regions of travel buying/ management authority, nearly 44 percent of respondents noted responsibility for a global travel program.

Figure A3: For which of the following areas do you have buying authority/manage the travel program?*

Africa	19.7%
Asia/Pacific	25.5%
Canada	30.6%
Europe	33.1%
Latin America	20.4%
Middle East	21%
United States	43.3%

* Answers total more than 100 percent due to option to choose multiple responses

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