

COMMERCIAL CARD SERVICES

Corporate T&E Spend Benchmarks

Metrics that spotlight program performance and best practices



Key Metrics that Track Progress

T&E cards are a well-established payment method, but companies and non-profits continue to discover new ways to strengthen the benefits that these card programs deliver. In the past two years, in a time of sluggish economic recovery, organizations have adjusted T&E payment strategies to drive cost control, streamline the process and leverage technology advances.

This summary is based on results from the *2011 Corporate Travel Card Benchmark Survey*, a research initiative conducted every other year by Richard Palmer, Chair of Accounting at Southeast Missouri State University, and Mahendra Gupta, Professor of Accounting and Management at the Olin Business School at Washington University in St. Louis. This year's survey (which was fielded at the end of 2010) represents responses from more than 1,200 U.S. organizations that use one of the major corporate card bank programs for their T&E spend.

In offering this high-level snapshot, we've included commentary and statistics, noting changes from the previous study as well as suggested action steps based on the experience of Best Practitioners. We hope that this summary is a useful resource, helping you enhance your corporate card program.

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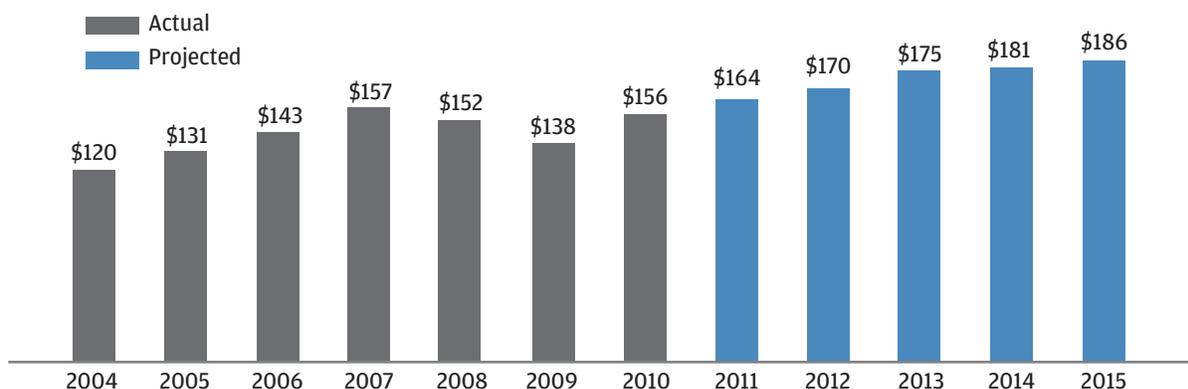
Travel Spending On the Rise Again

Despite economic uncertainty, T&E spending has rebounded significantly since 2008, growing from \$138 billion to \$156 billion and nearly reaching the 2007 level of \$157 billion. The majority (52%) of respondents reported travel card spending growth over the last two years. In the corporate sector, the greatest increase in spending came from the Middle Market, which posted a 9.7% rise in T&E expenses.

Forecasts on spending are bullish. Corporate card spending is expected to rise to \$186 billion by 2015, with Large Market companies predicting the highest cumulative spending increase (23.5%). Companies that predict "moderate to high" growth cite three factors: an increase in global travel, improved enforcement of policies and enactment of policy mandates.

In analyzing patterns of T&E spend volume, it's clear that card spending, considered discretionary, is hypersensitive to economic trends. In 2009, when the GDP declined by 2.2%, travel card spending dropped by 9.2%, but in better times, there's been a double-digit surge in travel spending.

Travel Card Spending in North America (in \$ billions)



How Do Organizations Spend their T&E Budgets?

There has been little change in the way companies and non-profits use the card for T&E purchases, but spend patterns differ based on the type and size of an organization. Airfare remains the principal expense category, followed by lodging, across all sectors. Not surprisingly, government agencies and non-profits spend more on air and hotel (66% total) and less on restaurants and entertainment (a combined 10%) than the corporate sector.

Compared to larger organizations, mid-sized companies spend the smallest percentage (26%) on airfare, possibly because their business operation is more likely to be local and involve fewer flights. The middle market also posts the highest non-travel spending percentage (17%), which could indicate that they are using the corporate card for most business spending rather than relying on a separate purchasing card.

Mid-sized companies spend 44% of their budget on air and hotel, while the Fortune 500 allocate 58% for these two main expense categories.

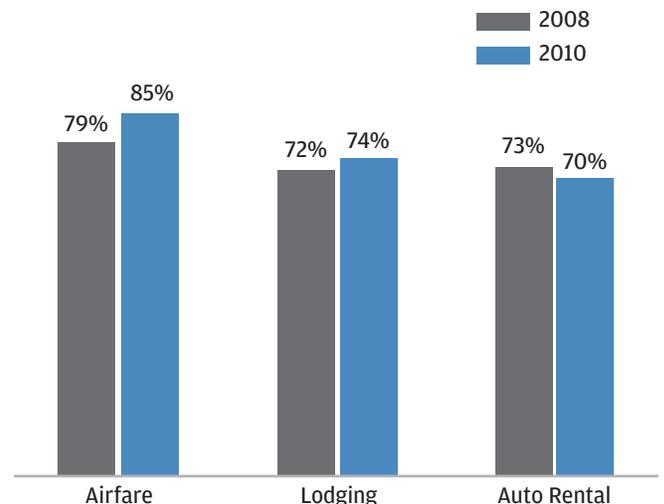
	Fortune 500	Large Market	Middle Market	Government and Not-for-Profit
Air travel	36%	32%	26%	42%
Auto rental	8%	8%	6%	6%
Lodging	22%	21%	18%	24%
Restaurants	11%	14%	14%	9%
Entertainment	4%	5%	5%	1%
Meetings and events	6%	5%	5%	5%
Other travel	4%	6%	9%	4%
Non-travel spending	9%	9%	17%	9%

Definition of survey respondents: Fortune 500 corporations have reported revenue of above \$2.0B, large market companies have reported revenue of \$500M-\$2.0B, and middle market companies have revenue of \$25M-\$500M.

Capture of Travel Spend: Air, Hotel, Car

Analyzing card usage across three main categories of spend, the breakdown shows that 85% of airfare, 74% of hotel costs and 70% of car rental costs are paid by corporate cards (including ghost or lodging accounts.) Compared to the 2008 results, there's slightly greater usage of the travel card for air and hotel costs. Overall, about 82% of travel spending is captured on some type of company-issued card.

Not shown in this chart is the fact that about 12% of T&E expenses are paid with an employee's personal card or check, and cash advances represent an additional 6% of total spend. These percentages have stayed steady in the past two years, which indicates that there is still potential for increased spend capture.



Travel Program Goals – Current and Future

Organizational priorities have not shifted much since 2008, but companies and non-profits are signaling that their focus may change in the future.

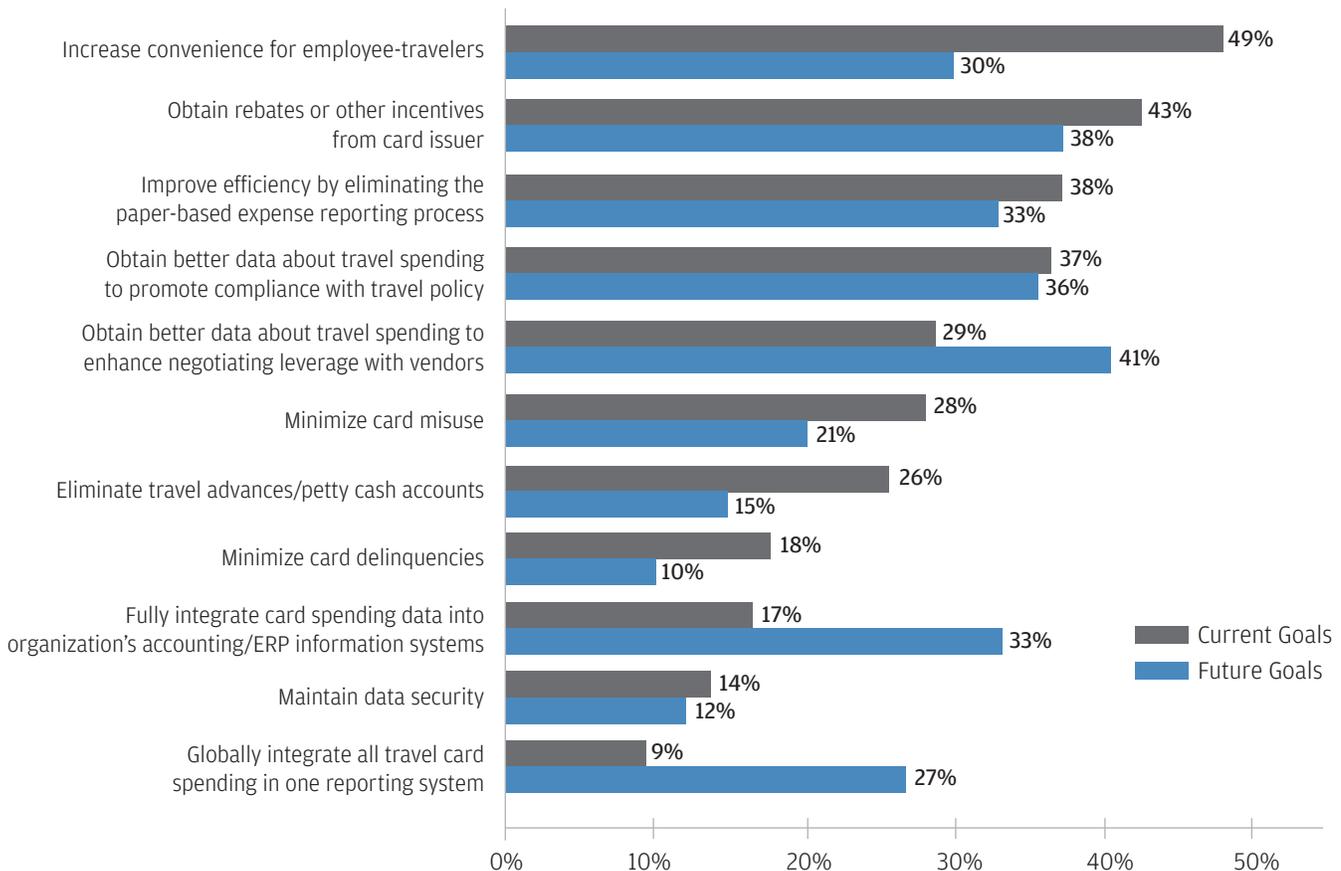
Current Goals - Increasing convenience for employees ranks as the number one priority for organizations, as it did two years ago. This goal is much more important to mid-sized companies and non-profits than it is for large corporations. The second highest priority is obtaining rebates from card issuers, followed by automating expense reporting and receiving better data on travel spending to support compliance with travel policy. In 2008, obtaining better spend data to monitor travel policy compliance was among the top goals, but presumably progress has been made on that front.

Future Focus - Looking ahead, survey respondents indicate that they'll be taking a much different tack in managing card programs. There seems to be less interest in addressing traveler convenience, which has slipped from first to sixth place in the list of future priorities. Minimizing misuse and delinquencies, as well as eliminating travel advances, will also be less important, possibly because there's been significant progress in these areas.

As their number one goal for the future, respondents cite obtaining better data to enhance negotiations with vendors, a control strategy that's been working well (see chart on page 6.) Also moving up in the ranking are goals related to information integration, including fully integrating card spending data into an accounting/ERP system and globally integrating all corporate card spending to a single reporting system.

Travel Budget as a Percent of Annual Revenue

Fortune 500	.83%
Large Market	.99%
Middle Market	1.12%
Government and Not-for-Profit	.24%



Program Performance and Cardholder Activity

Generally speaking, the larger the company, the more mature the card program, the greater the use of corporate cards and the higher the spending limit. When analyzing a program's structure and performance, there are a number of statistics to note:

- The card-to-employee ratio ranges from 19.6% (for large companies) to 26.9% for the middle market. Although not shown on the chart, in 2008 the mid-sized sector posted an 18.1% card-to-employee ratio.
- Looking at monthly spending per card, the Fortune 500 reports an average of \$813, while mid-sized companies charge an average of \$1,290. Two factors might explain the difference: the stronger purchasing power of large corporations and the fact that mid-sized companies use the corporate card for a significant percentage of non-travel related expenses.
- As companies increase in size, there's a drop in both the average monthly spending per corporate card and the average number of monthly transactions per card.
- Spending limits, while imposed less and less, are nearly \$4,000 on average for the largest organizations, which might have developed more confidence in other control measures. Limits hover around \$2,400 for large and mid-sized companies.
- Training and communication seems to be a priority across all corporate sectors. The Fortune 500, however, are more diligent about communicating policy updates and are much more likely to have an internal Web site to communicate to cardholders.

	Fortune 500	Large Market	Middle Market
Organization Statistics			
Number of employees	27,443	3,856	662
Age of travel card program	11.62	6.89	6.35
Program Performance Measures			
Number of travel cards	5,623	755	178
Percent of employees that travel on business more than twice per year	26.0%	27.8%	28.7%
Card-to-employee ratio	20.5%	19.6%	26.9%
Average monthly travel card spending	\$4,573,040	\$868,892	\$229,683
Median monthly travel card spending	\$3,000,000	\$612,500	\$100,000
Monthly travel card transactions	28,222	4,617	1,114
Monthly travel card spending per employee	\$167	\$225	\$347
Percent of T&E spending captured on travel cards	82%	80%	80%
Cardholder Activity Measures			
Monthly spending per card	\$813	\$1,151	\$1,290
Monthly transactions per card	5.02	6.12	6.26
Spending per transaction	\$162	\$188	\$206
Spending Limits			
Average per transaction spending limit (where used)	\$3,991	\$2,471	\$2,358
Average monthly spending limit	\$9,623	\$8,172	\$7,009
Use of Card Data in Discount Negotiation			
Provide employees with travel card use policy	95%	95%	87%
Have an ongoing method of communicating policy updates	84%	68%	67%
Have a Web site that answers card questions	80%	68%	38%

Strategies to Control Spend

When asked about strategies to control travel costs, survey respondents highlight three areas of focus, showing a slight shift in travel management priorities compared to 2008.

Reducing the need for travel – Two years ago, a very high percentage of organizations reported that they were limiting business travel by allowing fewer employees to travel and sanctioning fewer trips. These limitations have eased somewhat. In the meantime, organizations have eagerly embraced technology that reduces travel, with 89% saying that they use virtual meetings, webinars and teleconferencing.

Restricting the level/class of travel service, controlling administrative costs and enforcing policy – It seems that organizations are easing up very slightly on policies affecting the cost of hotel rooms or the class of airfare and car rental. However, there's still an emphasis on keeping costs low.

Managing vendors – Organizations are putting much more focus on vendor consolidation to drive costs savings. Here, the trend is toward more control, with 62% now using card data as a foundation for negotiations. In addition, respondents rate obtaining hotel folio data as the most important objective in travel data capture.



Organizations are easing up on travel restrictions, but are also embracing teleconferencing, cost controls and tighter vendor management.

	2008	2010	Trend
Necessity of Travel			
Fewer employees traveling	80%	66%	↓
Making fewer trips	82%	70%	↓
Using virtual meetings and teleconferencing	87%	89%	↑
Class of Travel and Administrative Costs			
Booking lower class rental cars	59%	56%	↓
Staying in less expensive hotels/rooms	77%	70%	↓
Controlling administrative costs	76%	71%	↓
Allowing less business/first-class air travel	76%	72%	↓
Tighter enforcement of travel policies	89%	86%	↓
Vendor Management			
Consolidating to preferred airlines	45%	47%	↑
Consolidating to preferred hotels	47%	54%	↑
Consolidating to preferred car rental companies	55%	60%	↑
Using card data to negotiate lower prices	58%	62%	↑

Technology Trends

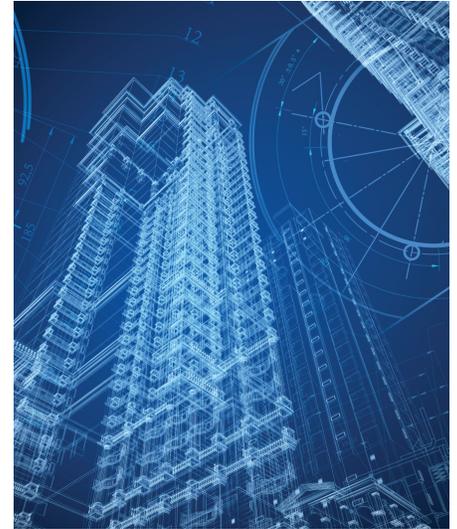
Expense Report Processing

There's been a steady march toward automated expense reporting: 43% of respondents say they use electronic reports with pre-populated card data (up from 35% in 2008 and 27% in 2006). Among the Fortune 500, 75% now use automated, pre-populated reporting. The rationale is clear: processing time is cut in half, reimbursement time is much faster and the cost to process an electronic report is \$20 (versus \$44 for a paper-based report.)

Data Integration

Receiving global, detailed, actionable data is only the first part of the information management challenge. More and more, organizations want card data that integrates seamlessly with other technology platforms. Respondents ranked these three areas as the most important features supporting this goal:

- Overall integration of travel card data with organizational information systems
- Ease with which travel card spending is allocated to appropriate accounting cost center
- Ability to integrate travel card data into resource planning, G/L or AP applications



Motivating Employees to Use the Card

Percent of organization that mandate travel card usage

	All Respondents	Fortune 500	Large Market	Middle Market	Government and Not-for-Profit
2010	65%	75%	72%	68%	51%
2008	57%	72%	71%	58%	31%

Rules or rewards? That's the question for many organizations seeking to consolidate more spending on the corporate card.

Among all survey participants, 65% mandate corporate card use, a practice that has become more prevalent over the years, with 75% of Fortune 500 corporations now using this tactic. Large organizations that have automated their expense reporting are particularly motivated to establish policies that promote card spend capture. In the past two years, mid-market and non-profit organizations have made significant strides in adopting mandates.

In contrast, only 33% of organizations surveyed provide rewards points as a way to support the card program, with mid-sized companies being the most enthusiastic about points programs. Comparing the "stick" versus "carrot," the winning strategy is clear: Companies that enforce mandates report an average of 89% of T&E spend capture, compared to a 70% spend capture when rewards are offered with no mandate.

7 Best Practices

Here are seven guidelines, based on an analysis of the Survey's identified "best practitioners," suggesting ways to maximize value of a travel card program:

- **Obtain top management support and let employees understand the benefit** of a well-functioning travel card program
- **Do not overly restrict distribution** of a travel card; on average, 31% of employees in best-practice organizations are given a card
- **Mandate use of the card** to enhance control and cost savings
- **Leverage the card's data management capabilities** to provide greater spend visibility, which in turn supports vendor negotiations, policy compliance and programs to manage costs
- **Adopt electronic pre-populated expense reporting** and make the end-to-end connection with technology that links the travel booking to expense reporting, electronic data collection and digital storage of records and receipts
- **Be wary of establishing stringent controls** (e.g., strict limits on expenditures, training demands, frequent audits, data mining) that will discourage legitimate use of the card
- **Measure program performance**, involving and rewarding card program managers to help drive results.



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J.P. Morgan is grateful to the authors of this study for their permission to cite these key findings—and for their academic rigor in probing travel management practices.

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