

Card Charge Volumes Rebound From Last Year's Depths

BY MICHAEL B. BAKER

Corporate payment charge volumes in 2009 painted a clear picture of travel spending cuts, though issuers expect those volumes to rebound this year. In the meantime, corporate card vendors are enhancing data offerings and global performance capabilities in response to increased demand from travel buyers.

Most major corporate card issuers saw year-over-year volume decreases in 2009. American Express reported overall commercial card volume worldwide was down almost 9 percent from 2009 levels, while U.S. Bank reported its volumes fell almost 16 percent. Jeff Rankin, senior vice president and senior sales and marketing officer for U.S. Bank's corporate payment systems unit, said the bank was able to mitigate some of that by growing its client base.

"U.S. Bank was the leader of the pack in terms of being a good, strong, solid financial institution," Rankin said. "We continue to see a flight to quality, whereas customers in the past might have accepted a commercial card service based solely on the pricing."

AirPlus International, the leading issuer of the Universal Air Travel Plan, reported its global charge volume dropped by €17.1 billion, about 6 percent.

"2009 was a year where travel managers reacted severely to the recession," said AirPlus CEO Patrick Diemer. "Volume from existing customers was down 20 percent, half of that because of lower ticket prices and half of that because of less travel."

Payment issuers and networks are optimistic about volumes this year. All issuers who responded as to their expectations for 2010 said volumes would rise from 2009 levels. Diemer said he expects to see two-thirds of the volume lost in 2009 return this year. "With a little bit of luck, this year will come back to a 2008 situation," he said.

U.S. Bank's Rankin expects double-digit percentage volume growth this year. "Customers are still being very judicious about their airline contracts and preferred hotels, and we're seeing better management today than we've ever seen in the past," he said. "Even with that, our customers are working on growing their business, and we expect to see that continue through the remainder of the year, depending on the economic situation."

Payment Networks

Payment Network	Acceptance: # Of Merchants	Acceptance: # Of Countries	Cards Issued On Platform	Worldwide ATMs Available For Cash Advances	Charge Per Transaction For Foreign Exchange
American Express	ND ¹	125 ²	7.1 million ³	900,000	2.5%
Diners Club	ND ¹	200 ⁴	ND	675,000	ND
MasterCard Worldwide	30.2 million	210 ⁴	1.6 billion ⁵	1.7 million	Issuer-defined
Visa	30 million*	200 ⁴	1.8 billion ⁵	1.6 million	Issuer-defined

*BTN estimate

¹ Reports acceptance as "millions of merchants around the globe."

² Measured in markets

³ Total number of commercial cards issued worldwide

⁴ Includes both countries and territories where networks do business

⁵ Total cards issued, not just commercial products

Between The Lines

BMO Financial Group in November reached an agreement to acquire **Citigroup's Diners Club** North America franchise, giving it exclusive rights to issue Diners Club cards to Canadian and U.S. corporations. That deal closed earlier this year, and the franchise's volume is included in BMO's total.

Bank of America at the beginning of the year completed its purchase of **Merrill Lynch & Co.**, giving it the largest wealth management business in the world.

All issuers, with the exception of Bank of America Merrill Lynch, have a separate meetings card offering. **U.S. Bank** reports 400 such cards issued as of Dec. 31, 2009.

Citi and **JPMorgan Chase** did not submit data to *Business Travel News* this year. Information in the charts is based on the latest data available to *BTN*.

A 2010 CFO Research/American Express Global Business and Spending Monitor, fielded in February, indicated that 26 percent of 479 financial executives surveyed said they plan to increase travel spending this year, part of 57 percent overall who either will maintain or increase such spending. In a similar survey in 2009, only 2 percent of respondents expected an increase in travel spending.

"Overall, we're seeing some positive signs of stabilization and growing optimism about recovery," according to Wendy Prewitt, vice president of American Express' global commercial card

sector. "Companies are really balancing that with some of the policies, controls and disciplines they put into place over the prior year."

Despite the deep recession, a few issuers still saw volumes increase in 2009. Bank of America Merrill Lynch reported its corporate travel and entertainment expense volumes were up by 5 percent compared with 2008. The biggest volume jump, however, appeared in BMO Financial Group's volume, thanks to its late-year acquisition of the North American franchise of Diners Club from Citigroup.

The Toronto-based bank, a growing pres-

ence in the U.S. T&E card market in recent years, added about \$7.8 billion in card transactions to its portfolio, while breathing new life into what had become a fading brand. Citi, which has its own corporate card program, had largely relegated it to midmarket accounts.

"The brand was weak and almost dying on the vine with Citi," said Terry Wellesley, BMO's managing director of spend and payment solutions. "Clients were happy to see a solid bank take over this brand, put energy behind it and show a commitment to continue its growth going forward."

Diners Club customers in North America will migrate off the Citibank platform in about a year, and Diners and BMO sales forces will be fully integrated by November, Wellesley said. "The integration has gone well beyond what we thought it would be," he said. "Sometimes cultures collide, but collectively, these teams have worked well together for their mutual benefit."

Looking just within the United States, AirPlus also saw its volumes increase year over year, said president Richard Crum. While its clients faced the same cutbacks as everyone else, AirPlus reported 12.6 percent growth in customers compared with 2008, leading to a 1.4 percent increase in total account volume, he said.

The UATP network earlier this year also broadened its acceptance to include its first hotel vendor, La Quinta Inns & Suites. The deal came from a trial run in 2009 with La Quinta and UATP client Wal-Mart, which uses the network with American Airlines as its issuer, and UATP now hopes to generate more partnerships with other hotel and car rental suppliers.

One of the drivers of AirPlus and UATP's growth has been an industrywide shift by corporations from individual bill and payment options to centrally billed and paid programs. AirPlus and the Association of Corporate Travel Executives partnered earlier this year to create a white paper on centrally billed pro-

grams as a best practice, surveying 186 ACTE members worldwide. Of those surveyed, more than half said they viewed ghost or lodge cards more favorably than other payment tools.

Rafael de la Vega, head of large and middle market for Visa Commercial Solutions, said he sees a slight shift toward central bill and pay, particularly in the United States. Central bill and pay in general always has been the predominant practice outside of the United States, while U.S. corporations traditionally have favored individual bill and pay.

"There's a little more shift," de la Vega said. "We are not actively tracking that shift, but

fer the bigger salaries can do that as a perk."

Data enhancement also remained a focus for the corporate card vendors in 2009. Visa in September launched a new reporting and expense management tool, Visa IntelliLink Spend Management, particularly for large and midmarket companies.

While getting more data always has been a priority for expense managers, the economic downturn pushed many of them to be able to better manage that data, de la Vega said.

"Companies, in the past, always asked for as much data as they could get, but they never used it in proportion to the amount that they

"Companies didn't use data in proportion to what they got. Now, we've seen them use data to make good sourcing decisions."

based on questions we've seen from banks and the requests for proposals that we've seen, it's clearly a trend."

Companies are attracted to central bill and pay because of a combination of efficiency and better risk management, without having to worry about employees missing payments, de la Vega said. Midmarket and small companies also have better access to automated expense reporting systems, which give them the data-monitoring capabilities necessary to maintain central bill and pay programs, BMO's Wellesley said.

The decision also is tied to whether companies want to offer reward programs on corporate cards to their travelers, which isn't possible in the central bill and pay setup, he said. "The big guys, like the IBMs of the world, don't do that because they want the rebate," he said, "but midsized companies that can't of-

got," he said. "Recently, we've seen them use the data to make very good sourcing decisions to a very good outcome."

American Express in recent months has expanded its partnership with expense management tool supplier Concur to offer an expense management system for small and midmarket companies, Concur Breeze, sold through the new Google Apps Marketplace. It also gained a new partner, Ritz-Carlton, in providing electronic folio data that itemizes hotel spending across all its North America properties.

These data needs increasingly are taking a global scope. BMO's Wellesley, whose ability to handle global programs increased considerably with the Diners Club acquisition, said global payment needs no longer are the province of large companies.

"Midsize is moving much faster to large size,

About These Charts

This section's charts include major North America-based issuers of corporate cards, as well as the charge card networks with which they are associated. The bank networks, MasterCard and Visa, offer core card products that issuers can market "as is" or with enhancements. American Express issues its own cards.

Vendors provided all information for the year ending Dec. 31, 2009. In cases where information was not reported, *BTN* made estimates based on industry knowledge and previous information provided by those companies. In some instances, figures published in last year's survey were restated based on new information. Whenever possible, *BTN* separated travel and entertainment from such other commercial card area as purchasing.

Payment Systems

Card Issuers	Dollar Volume Charged By U.S.-Based Corp. T&E Accounts In 2009 (\$000)	Dollar Volume Charged By U.S.-Based Corp. T&E Accounts In 2008 (\$000)	Number Of Corporate T&E Cards issued In The U.S. As Of 12/31/2009	Fee Per Card ¹	Payment Network	Full-Value Collision & Loss Coverage At No Extra Charge ²	Travel Accident Insurance Coverage/ Door-To-Door	Currencies Available For Int'l Reporting	Frequent Flier Mile-Based Loyalty Program	Purchasing Card Volume in 2009	Number of One-Cards (Purchasing, T&E, And/Or Fleet)	Fee Per Foreign Transaction
American Express ³	111,200,000	122,000,000	7,100,000	\$0-\$395	American Express	None/ Coverage is \$4 per rental	\$350,000-\$500,000 ⁴ / Yes	ND	Yes	ND	None	2.5%
Bank of America/ Merrill Lynch	2,200,000	2,095,238*	304,000	ND	MasterCard/ Visa ⁵	Primary	\$500,000/Yes	4	No	\$13.7 billion	193,000	1.0%
BMO Financial	5,800,000	1,200,000	ND	ND	MasterCard	Primary/ Secondary	\$500,000/Yes	2 ⁶	Yes	\$4.8 billion	ND	ND
Citi	2,870,000*	3,500,000	ND	ND	MasterCard/ Visa	Primary	\$350,000/Yes	ND	No	ND	ND	ND
JPMorgan Chase	4,800,000*	5,900,000*	920,000*	\$0-\$35	MasterCard/ Visa	Primary	Varies/ Optional	ND	Yes	ND	ND	ND
U.S. Bank	5,024,557	5,883,953	924,344	None	Visa	Primary	\$250,000-\$500,000 ⁷ / No	50+	No ⁸	\$20.47 billion	181,129	2.5%

*BTN estimate

¹ All major issuers will waive fees for corporate clients.² Under primary coverage, insurance is the first payer for accident damage. Under secondary coverage, insurance kicks in only after other insurance, including personal and auto coverage, is exhausted.³ Includes all commercial cards issued worldwide, not just T&E specific cards. Does not include Open Small Business or non-proprietary commercial cards issued on bank partner networks.⁴ \$350,000 for green cards, \$400,000 for gold cards, \$500,000 for platinum cards⁵ 95 percent of issued cards are on the Visa platform.⁶ Also offers global programs through Diners Club International⁷ \$250,000 for one card, \$500,000 for corporate card⁸ Reward programs accrues points based on spend, which cardholders may use to purchase airfares.

with the ability to transfer and move goods and services electronically," Wellesley said. "We're seeing a lot more RFPs talking to global capabilities."

Visa's de la Vega also reported an increase in demand for global programs and said Visa has created a special service to target mid-sized companies with global needs. "These are not Fortune 100 companies, but small companies in NAFTA, or with three countries in the European Union or five in Asia/Pacific," he said. "There's a lot of demand from that segment."

Networks are increasing their global footprint as well. Earlier this year, for example, American Express launched its first business travel account in Russia, a ruble product issued by American Express Bank in Russia. The account, a cardless, centrally billed account, gave Russian companies new opportunities to control travel bookings and expenses, according to American Express.

Meeting cards continue to be an area of growth for issuers and networks. Visa launched a new meeting card in 2008, and while de la Vega said growth was slow when meeting demand was still low, interest in the card has

picked up considerably as meetings make a comeback.

U.S. Bank's Rankin said interest in the issuer's meeting card has grown steadily over the past few years, as clients see them as good negotiating tools with hotels.

"If I've got a meeting card, I can go to Marriott or Hilton and remind them that I did

"As companies get more efficient in managing their expenses, it'll be much easier to give prepaid cards to nonfrequent travelers rather than giving cash advances."

12 meetings with them last year and spent \$180,000," he said. "That way, I can be treated like a \$180,000 customer rather than a \$10,000 customer 12 or 13 times.

Issuers and networks in the past year also

have enhanced prepaid card offerings, as they begin to have more T&E applications. MasterCard, for example, last year lent its processing capabilities and brand name to a prepaid card supplied by foreign exchange and international payments supplier Travelex. The cards allow corporations to set spending or per diem levels for contractors or one-time travelers who do not have corporate cards.

More recently, JPMorgan Chase announced single-use accounts for midmarket customers, which it defines as those with under \$500 million in corporate revenues. The cards could have T&E uses, such as booking flights for contractors or paying the master folio bill following a meeting, said Chase commercial card product executive director Lisa Steury.

Visa's de la Vega said such cards stand to play an even bigger role for travel and expense managers in the years ahead. "There's a lot of interest from the corporate world, for now mostly with incentive cards, relocation expenses and some payroll, but not T&E," he said. "As companies get more efficient in managing their expenses, it'll be much easier to give prepaid cards to nonfrequent travelers rather than giving cash advances." ■