

## COVID-19 UPDATE

# Contactless Payments Surge in Pandemic

With hygiene and safety concerns expected to be top of mind as business travel resumes, contactless payments could finally gain significant traction, especially in the U.S., which has lagged other markets when it comes to contactless usage. The increased interest in touchless also will likely further boost usage of virtual cards, which already have gained adherents in the corporate payment space thanks to a list of advantages that includes security and spending controls—and to which now can be added hygiene and safety.

Near Field Communication (NFC) technology, which enables payments to be made by waving an NFC-equipped physical card or mobile wallet near an NFC point-of-sale (POS) terminal, has been around for more than a decade. But long-ingrained consumer habit toward swiping cards, along with merchants' reluctance to invest in upgrading their POS equipment to accept a payment method that consumers largely didn't need, created a chicken-or-the-egg scenario that bogged down adoption of the technology, particularly in the U.S.

But amid consistent promotion from card issuers and gradual cardholder realization of the benefits of contactless, the technology began carving out a foothold in 2019. That existing momentum was turbocharged by the Covid-19 outbreak and attendant rise of social distancing and hygiene principles. Surveys conducted amid the pandemic consistently indicated a surge in consumer preference for being able to make in-person payments without touching a card reader, keypad or pen.

On the merchant side, many retailers began actively encouraging contactless payments amid the pandemic due to their own safety and hygiene concerns—and the sudden shift in consumer attitudes is bound to compel even otherwise reluctant merchants to step up adoption of NFC acceptance technology to serve the groundswell of demand. Meanwhile, payment card providers are playing their part too, with all major networks recently raising the amount limits for contactless payment transactions—thereby enabling more purchases to be made without a touch—while issuing banks continue to incorporate NFC technology into the majority of plastic cards they issue.

Taken together, all signs point toward the pandemic serving as a tipping point for contactless payments as a whole. That could be particularly good news for organizations, as contactless payments are uniquely well-suited to helping achieve several long-standing goals of corporate T&E and payment programs.

With the onus higher than ever on corporate duty of care

responsibilities post-Covid, organizations are widely expected to double down on hygiene and safety protocols intended to keep employees safe as corporate travel and spending re-emerges in the wake of the pandemic. The inherent hygienic advantages of touchless payments are among the lowest hanging fruit in achieving safety goals; quite simply, the fewer surfaces travelers need to touch, the less chance of contracting a virus—whether Covid-19 or the common cold.

Contactless also is a key tool in helping corporate T&E managers provide their travelers with a more convenient, seamless and “consumer-like” travel and payment experience. That's especially true in markets such as Asia and parts of Europe, where ubiquitous mobile wallets such as Alipay and WeChat Pay have become an integral part of consumers' everyday lives. Even before the Covid pandemic, the travel ecosystem had begun laying the groundwork to incorporate those services, with hotels, airlines, restaurants, ground transport and other end-suppliers adapting their systems to accept the mobile wallet services that are widely expected to play a central role in the next generation of payments on a global scale.

Mobile wallets also have proven to be the perfect complement to virtual payment cards, which can be issued and accepted with no physical card involved at any point in the process. Virtual cards offer widely acknowledged benefits, such as easy issuance, spending controls, data capture and one-time use numbers that are useless to criminals in the event of a data breach. But technical limitations long hamstrung virtual cards, especially in the hotel sector, where card numbers had to be sent to a property via fax—a tedious process often ending in confusion and frustration during check-in.

Mobile wallets offer a way around such complications by enabling virtual cards to “live” on a traveler's mobile device, which can simply be waved near an NFC terminal at the front desk—a process as simple as checking in with a plastic card. And once loaded onto a mobile device, virtual cards can subsequently be used to make other payments during a trip, such as meals, coffee and ground transport, ensuring all in-trip costs flow directly to corporate spending managers for reconciliation and reporting.

Along with placing a premium on ensuring workforce hygiene and safety, the Covid-19 pandemic has spurred many organizations to re-evaluate their travel and spending programs, striving for modernization and increased efficiency. Given the technology's ability to address both needs simultaneously, it's likely contactless payments soon will finally make contact in a big way.



# Selecting a Corporate Payment System

## I. SET OBJECTIVES

Understand the objectives of senior executives—particularly in HR, finance and accounting—but ensure you're engaged. Some attainable goals:

- A.** Improve financial and administrative processes and maximize travel cost savings through data integration and negotiations.
  1. Secure rebates on spending volumes and control/reduce bad debt by cardholders.
  2. Leverage consolidated card spend for air, lodging, ground transportation and meetings.
  3. Reengineer travel expense reimbursement procedures and efficiencies.
  4. Improve cash management, reduce or eliminate cash advances, maximize rebate potential and extend float, the period the issuing bank allows between purchase post date and bill pay.
  5. Bring uniformity and speed to payment and accounting for travel, fleet and goods/services.
  6. Streamline accounting and reconciliation processes.
  7. Evaluate and facilitate value-added and goods-and-services tax refund filings.
- B.** Improve policy compliance and noncompliance monitoring.
  1. Reduce expense report fraud.
  2. Track preferred supplier usage and identify program leakage.
  3. Implement/improve data reporting tools.
  4. Control spend by placing blocks on nonbusiness merchant category codes.
- C.** Increase traveler productivity and support.
  1. Feed card data into expense reports to reduce errors, fraud and time required to complete.
  2. Reduce travelers' out-of-pocket expenses with easy, safe and widely accepted payment vehicles.
  3. Ensure travelers separate business expenses from personal to improve data quality.
  4. Establish standardized business controls.
  5. Provide data and enable digital receipt capture via mobile devices.
  6. Reduce currency exchange hassles.
- D.** Enhance management data and controls, and comply with global tax and Sarbanes-Oxley regulations. Commercial card programs provide actual spend data for compliance monitoring, supplier management, budget review and tax reporting. Electronic data transfer eliminates duplicate entry, improves fraud control and risk management and supports automated audits.
  1. Merchant category reports identify traveler use of preferred and nonpreferred suppliers.
  2. Payment reports support expense management and identify negotiation opportunities.
  3. Import commercial card data into contract management tools to monitor contract utilization.
  4. Combine commercial card with booked data from travel management companies, suppliers and other sources to identify leakage. Then, optimize polices and reconciliation.

## II. EVALUATE THE PROGRAM

- A.** Assign a project manager to establish a cross-functional team comprised of travel,

payroll, finance, accounts payable, HR, legal, procurement, internal audit, IT, security, treasury and tax department representation. Identify a senior management sponsor in finance.

### B. Requirements.

1. Number and location of travelers who'll use the card, including frequent and international travelers and executives.
2. Spending by category: air, rail, ferry, lodging, rental car, limo, other ground transportation, meals, etc.
3. Geography.
  - a. Estimate charge volume and cards in force for each country or region.
  - b. Consider whether more than one card issuer is required to issue local currency cards in countries with significant employee populations.
  - c. Consider how implementation and service will be provided to each country and in which languages.
  - d. Understand local culture, language issues, labor union regulations, card acceptance, currency and other laws pertaining to card liability, employee data privacy and card issuance in each country.
  - e. Consider the degree to which you'll need to consolidate data globally.
  - f. Consider foreign exchange rates.
  - g. Companies with employees based in China may require additional considerations, including the possible use of the state-backed UnionPay network.
4. Issuance and use policies, such as mandates versus guidelines and allowing or disallowing personal use of a corporate card.
5. Liability, billing and payment options.
6. Interfaces with other front-end and back-end systems.
7. Data consolidation specifications.
8. Reporting and reconciliation specifications, including financial closing requirements and timing.
9. The card products required depend on T&E needs and employee types.
10. Consider mobile wallets, biometrics, contactless cards and virtual payment technology.
11. Bidders need client-held days, the number of days between when the statement period closed and when the traveler paid; offer breakdowns by department if available.
12. ATM accessibility and foreign currency requirements.

**C. Process.**

1. Describe the organization's culture and readiness for a new card program, including country variances.
2. Outline criteria for success: acceptance, technological capabilities, service structure and support and consulting expertise in addition to financial offers.
3. Detail contract requirements, including company privacy policy and country-specific privacy policies. Incorporate wording that ensures the company owns the card data.
4. Consider an automated RFP tool.
5. Consider holding a pre-bid conference. This can frame the RFP and specific requirements.
6. Set times for issuing documents, developing proposals, reviewing and making final decisions, usually more than 90 days. Include key dates within the RFP.
7. Schedule presentations and technology demonstrations. Consider having only the finalists make presentations.
8. Obtain references from the supplier's other clients similar to your company in travel patterns, industry, spend, policies and geographic coverage.
9. Determine selection criteria and list them in priority, such as financial, reporting, acceptance and implementation.
10. Identify elements for review. These should track to RFP sections. Financial sections should be separate and show rebates and thresholds for earnouts.
11. Develop scoring systems to facilitate objective decisions.

**D. Card types.**

1. Corporate card: Issued to employees and used for all business travel-related purchases expensed to the company.
2. Ghost/lodge/Business Travel Account/Corporate Travel Account card: A central account number housed with an agency that allows individual air and rail expenses to be directly charged to and paid by the organization. This type of card drives travel bookings through the designated agency and reduces employees' liability for large debt. Setting up automatic, direct debit payments will maximize speed of pay. Reconciliation is more complicated and expensive.
3. Alternative cards for trainees, visitors and other scenarios: prepaid or stored-value cards, budget or declining balance cards, single-use virtual cards with

specific date ranges, meeting cards and cards restricted to specific merchants.

**E. Card issuer options and configurations.**

1. An exclusive or preferred agreement with a card issuer for a single reporting solution that provides global spend data for all business units.
2. An agreement with a primary card issuer that includes multiple card and payment solutions and such spend management solutions as sourcing and contract management.
3. An agreement with a primary card issuer and an account with a separate card issuer for a particular service like a master number for a ghost card or central travel account that all employees use for air travel or single-use virtual card numbers.
4. A central travel solution for airline tickets to facilitate ticket reissuing and credit tracking and to simplify charge allocation if your expense management tool can allocate charges back to individual travelers.
5. Diverse agreements with multiple card issuers: Divisions with different cultures might need different card programs, though finance departments often desire consolidated banking relationships to better leverage currency exchange and overall costs.

**F. Options for liability structures, billing and payment.**

1. Liability structures vary due to market norms and country regulations.
  - a. Corporate liability: Companies are responsible for payment.
  - b. Joint and several liability: Structured as individual bill/individual pay but the contract between the organization and the payment provider will identify a time for which the individual is responsible, generally 60 or 90 days; after that, the payment provider will bill the company.
  - c. Individual liability: Mainly in North America.
2. Billing formats and data feeds: Advise card issuers if your company has required statement formats, billing cycles or data feeds to enterprise resource planning, general ledger, automated expense management systems, etc.
3. Payment settlement: Card issuers continue to accept checks from individuals, but bill payments from corporations and an increasing number of payments from individuals are now electronic. Bal-

ances are usually due monthly, though shorter periods can maximize rebates.

Companies must determine how to balance rebates and payment management. In some countries, individual payments from individuals may not be accepted or may impact the company's program.

4. Billing and payment combinations.
  - a. Company bill/company pay: The company receives a consolidated bill of all T&E charges and pays the issuer. This assures that card issuers receive timely payment, based on the "days-outstanding" window negotiated into the contract; shorter float, that grace period card issuers allow before they need to be repaid, means greater rebate potential for the card program.
  - b. Individual bill/company pay: Cards and bills are issued to individuals. The cardholder is required to pay the bill and file expenses with the company for reimbursement. This reduces admin but the longer float period, as cardholders may pay late, reduces the company's rebate.
  - c. Individual bill/individual pay: The individual cardholder is responsible for outstanding balances, but the company is invoiced for all unpaid balances or that balance is deducted from the rebate. While this option may reduce admin, it may cost the company rebates if cardholders pay late. Calculate the average number of days between when the billing statement period closes and when individuals pay, and factor that in to consider the savings to the company that this model would gain versus its impact on the rebate. Ensure card payment terms outside the U.S. are acceptable to each business unit and are consistent with accounting procedures in those countries.
  - d. Individual corporate cards with strip billing and payment: Organizations can request all air, hotel, phone or other categories be stripped from individual bills for central pay. Card issuers get paid more quickly this way, but organizations also need to weigh reconciliation costs.
- G. Expense management systems:** All major card issuers can send data directly to any expense reporting system. Consider:
  1. The total cost of the expense reporting



- tool versus the expected ROI. The total cost of ownership should be based on card issuer fees, implementation and training costs and management, support and infrastructure costs.
2. Whether your company works with a data provider that also offers expense reporting tools.
  3. The use of the card issuer's expense tool versus a third-party or home-grown option. If a tool is in use, see if bidders can integrate with it.
  4. Hosting the expense tool behind your firewall versus the software-as-a-service model. Consider data ownership and privacy issues, in-house IT, account support and costs.
  5. Is the card issuer tool compatible with existing infrastructure, and can it interface with such business systems as accounts payable, auditing, general ledger, HR and payroll?
  6. Who will administer and pay to reprogram the tool to interface with the corporate accounting system, to accept card data downloads and to align with policy?
  7. Who will implement the tool, send and communicate changes, facilitate training and provide ongoing support? What is the card issuer's standard implementation time frame? Implementation in a multi-location organization can be complex and costly.
  8. Which departments can help evaluate such tools?
  9. Does the system offer pre-population of expense reports with corporate card data? If so, is the data pre-populated frequently and accurately? Is pre-population limited to standard corporate card data, or can it integrate hotel folio, taxes, fees and car rental and airline ancillary items, etc.?
  10. How easy is it for cardholders to review charges, add details and required documentation and submit expense reports? Is the system flexible in number of approvers?
  11. Can the tool be customized to the organization's branding and business unit or geographical needs?
  12. Can travelers without corporate cards submit expense reports for out-of-pocket expenses?
  13. Are the automated audits and policy controls sufficient, or must you use other external systems? Can the tool automatically flag and identify expenses for value-added tax reclamation and group expenses per accounting codes?
14. Does the tool provide mobile functionality to create, view, submit and approve expense items or reports?
  15. Does the tool offer receipt imaging, archiving, payment, voice, use of geolocation to determine location of a transaction, or other services?
  16. Does the tool convert foreign currency? Does the card issuer levy fees for those transactions? Are those fees negotiable? Is the tool localized for taxes, government regulations and business practices?
  17. Is the tool capable of providing reports that include the same details expense reports collect?
  18. Can the provider customize policy compliance rules and controls within the enterprise reporting system?
  19. Can the tool evaluate bookings versus actual expenses, and can the card issuer work with the preferred TMC for booked-to-billed reports? Ask for real-time demonstrations, or check client references carefully.
  20. Can the tool be used for expenses beyond travel, including purchasing card, fleet or small-dollar purchases? Can the tool accept feeds from more than one card issuer?
  21. Can direct-bill programs be integrated to show company-paid expenses as opposed to individual-paid ones?
- H. Loyalty programs:** Some card programs offer their own rewards programs or tie in to programs offered by other suppliers. These can work with or against travel policy and may reduce the company's rebate, as travelers cash points in. Explore ways to incentivize employees to use the corporate card.
- I. Some card issuers and third-party programs provide restaurant rebates and hotel or other discounts, especially for small and midsize enterprise accounts. Other discounts and perks may be provided with executive cards.
  - J. Related spending management programs.
    1. Procurement cards, also called purchasing cards or P-cards: Most T&E card issuers also offer card programs for corporate purchasing. Buyers can benefit from consolidating spending with the same card issuer and often can achieve commonalities in card setup, access con-
- trols and reporting. However, P-cards may have different requirements for taxes, process reengineering, back-end data integration and data capture and are corporate liability cards. T&E cards capture basic data with air segment detail, while P-cards capture point-of-sale data, such as sales tax or product codes, but this is not always the case. Look at approval and reconciliation processes for T&E and P-cards for opportunities to improve or combine processes and data flows. If you're considering multiple cards, ask the issuer if all spend will be combined to calculate a single rebate or if there will be separate rebate programs. For midsize companies, multi-use cards can handle both T&E and procurement expenses, though they may have more limited functionality.
2. Meeting cards: Costs from meetings can represent a significant and largely untapped savings opportunity. Organizations may provide meeting cards primarily to meeting planners to help track expenses, ensure compliance with preferred suppliers, leverage volume to improve supplier negotiations, reduce the need for written checks/purchase orders and ensure proper expense allocation. Billing data can be integrated into a meetings management system, driving automated reconciliation and more robust reporting. Be aware of card types that may limit rebates on large-ticket items.
  3. One-card solution: Some card issuers offer T&E, procurement and fleet or any combination on a single product. Examine employee usage to determine any benefit to such a combination and understand reporting distinctions. With a significant overlap of employees to whom both P-cards and T&E cards would be issued, a one-card solution may be useful; however, due to the P-card component, the account is structured as corporate liability.
  4. Fleet cards capture enhanced data at the point of sale, enabling managers to monitor fleet efficiency. A fleet card can be assigned to a vehicle or a driver, reduce misuse/unauthorized fueling and provide reporting on mileage, miles per gallon, grade of fuel and other vehicle and driver data.
  5. Prepaid, reloadable and declining balance cards: When used for per diems



- or other expenses and when the organization centrally pays for flights and lodging, such cards reduce the burden on travelers. They don't require additional credit lines, as they're based on a company's available funds, so they're useful for organizations with limited credit and for employees who don't have corporate cards. Managers can block cash withdrawals and merchant categories. The cards are valueless once funds are exhausted.
6. Virtual/single-use cards: This tool adds controls and better reconciliation to the benefits of traditional central billing accounts. Administrators instantly generate a virtual account number to pay lodging, meetings or travel expenses and collect necessary transaction data, whether for traditional business travelers or for contractors, recruits, nonemployees or infrequent travelers. They can specify transaction amount limits, merchants, expiration dates and sometimes the number of uses. When embedded in an airline record, the 16-digit account number becomes a unique identifier for reporting and simplifies the reconciliation process. Some virtual card provider apps allow a user to view front-and-back images of the virtual card on a smartphone to show to a hotel front desk clerk or allow the user to email, fax or text card information.
  7. Debit cards have emerged in Europe as a means to avoid airline fees on credit cards but have greater risk of liability.
  8. Networks have enabled mobile wallets like Apple Pay and Android Pay for corporate cards. Organizations must determine security protocols in case a phone is lost or stolen because company data is integrated. Considerations will vary depending on whether employees use company-issued or personal phones. Some card issuers have launched biometric authentication through fingerprint or photograph for added security.
- K.** Consider your purposes in using card-generated management information to help determine:
1. How information is broken down:
    - a. Spend categories and suppliers.
    - b. Activities.
    - c. Organizational levels and units.
    - d. Geography, language, culture and currency.
    - e. Industry and market.
  2. How many sources of data integrate into the reporting, e.g., card, hotel folio, booked data?
  3. Who needs access to information and how they will receive it? Will data interface to one or multiple general ledgers?
  4. How often data is downloaded into the expense reporting system.
  5. The capabilities for electronic data transmission and report generation.
- L.** Size and scope of a program.
1. How many cards will you issue, broken out by country?
  2. On what basis will cards be issued: frequency of travel, employee type/title, number of expense reports or annual spend?
  3. Do you need travel insurance, purchase protection or road-side assistance?
  4. Do you want to provide executive-level cards, airport lounge access and concierge services for some travelers? Those can increase card issuer costs.
  5. Will you limit card use to business expenses or let employees charge personal expenses? If so, how will employees report and pay for personal expenses? Consider what liability structure should be in place, e.g., individual versus corporate. Do your employees have a delinquency history?
  6. For individual liability programs, determine policy and procedures for employees for whom the card issuer denies cards.
    - a. Will the company guarantee payment for those people? What will the approval process be? Can a pre-paid card be issued? Will the organization provide denied applicants direct billing, single-use cards, ghost cards, prepaid cards, cash advances or other payment methods?
    - b. Will the organization support employees who exceed credit lines? Is there a process in place to increase credit lines on an as-needed basis?
  7. Determine a policy for payment and reimbursement in instances of delinquency and late fees, and align this to your company's T&E reimbursement and submission deadlines. When will employees be liable for late fees? Do they reimburse the company or make payment directly to the card issuer? Set guidelines and a notification process to suspend or terminate cards.
  8. Set restrictions on maximum amount per transaction, frequency and ATM use for cash advances.
- ### III. SELECT A CARD NETWORK & ISSUER
- A.** Select a card network like Mastercard, Visa or American Express and a card issuer. Talk with both to understand the role each plays and the value each brings.
  - B.** Do other departments within your company like HR, fleet and purchasing—do business with a card issuer? If so, pool volume to drive down costs or increase payment incentives.
  - C.** Some TMCs and global distribution systems work closely with card issuers and/or card networks to provide itinerary data to supplement and enrich card data for better reconciliation.
    1. Coordinate management reporting. Match TMC and card data to find discrepancies in bookings and actual spend, often referred to as a leakage report.
    2. There may be advantages in implementation and coordination in situations where TMCs have established relationships with card issuers.
    3. Bringing card and travel business to partner organizations may improve negotiating leverage.
  - D.** Issue a formal RFP or RFI.
    1. This process may require a pre-termination of qualified card issuers and possibly a pre-bid conference.
    2. Assemble a team of stakeholders from finance, travel, HR, accounting and legal. Senior management support is critical.
    3. After drafting a set of focused questions to qualify and differentiate provider respondents, consider creating a format or using an automated sourcing tool through which card issuers submit bids and specifications to compare financial arrangements and services. This enables more card issuers to participate with virtually no additional effort for the company.
    4. Consider including a list of minimum contract terms and conditions.
  - E.** Ask bidders for references from organizations similar to yours and check with others; bidders always offer up their most loyal customers. Attempt to contact accounts that bidders lost.
  - F.** Reporting capabilities.
    1. Which reports are standard, and

- what is required to receive customized reports? How are ad hoc requests handled and priced?
2. How many hotel chain, property and spending category hotel folio-level details are provided? How are reports sorted and presented? Do they break down geographical area by hotel chain or hotel chain by geographical area?
  3. Does the card capture data on air trips that have more than four segments?
  4. How are airline ticket refunds tracked and credited?
  5. How many fields are available on card reports, and how many characters are allowed per field? How much flexibility exists for customizing fields?
  6. How are ancillary airline fees tracked and reported? Does the card issuer use any third-party data or analysis to better identify such fees?
  7. Can you build a hierarchy for issuing reports, allowing some executives/business units to get summaries and others to get specific reports for their departments? Do the reports provide drill-down capabilities?
  8. To spot trends and developing problems, which prior-period comparisons are provided?
  9. Does the card issuer provide performance benchmarks? Can you benchmark your spend to that of other organizations in the same industry or of a similar size? How often will this information be provided? Such information can improve negotiating leverage with other travel suppliers.
  10. What is the reporting frequency and the time from close of billing to report?
  11. What is the turnaround time and fee for the card issuer to produce a customized report?
  12. In which local languages and currencies are reports provided? Can the reporting be rolled up to provide a consolidated global view?
  13. Does the data integrate with other sources? For example, does the payment card report hotel folio line items, enhanced airline data and booked data? Is the T&E data consolidated across all regions, including regional partner card issuers, for a complete view of your global travel program?
  14. How long is data stored? What is the backup process?
  15. How often is the data reporting system updated?
16. Do reports meet travel and purchasing requirements?
- G.** Consider data access. As an alternative to paper reports and statements, most card issuers provide online access to reporting and query tools. To create your own reports with card issuer-provided software, consider:
1. The cost of such capabilities.
  2. Frequency of account data updates.
  3. Does the software help create ad hoc reports, charts, tables and graphs? Can it transfer files into programs for communication and writing reports?
  4. Will an in-house administrator need training? If so, what is the time line? Is it individualized or generic? Is support guaranteed?
  5. Request samples of standardized and customized management reports from actual accounts.
  6. Can the data interface to your general ledger, expense, procurement and/or other systems?
  7. Can you split cost allocations?
- H.** Data security: How will data encryption be managed? Who will have access to the files? To what extent will you allow the card company to use your spending data for internal marketing and forecasting? How many employees in your organization will have access to secure modes of data transmission between the organization and card provider? Develop an understanding of the security and redundancies of the card issuer with respect to their data facilities. Is the data and reporting solution owned by the card issuer or outsourced to a third party?
- I.** Billing policies and practices.
1. Procedures.
    - a. Are billing cycles daily, weekly, monthly, bimonthly or quarterly? How closely can billing coincide with accounting cycles?
    - b. Are statements available online?
    - c. Can statements be customized?
    - d. What is the method and cost for converting charges made in foreign currency? Card issuers charge foreign transaction fees between 1 percent and 3 percent of the transaction cost. While such fees have been increasing for basic cardholders, they typically are less costly than converting cash in foreign countries. ATM withdrawals also incur their own currency conversion fees. Do not accept automatic fee increases during the contract period without advance notice and explanation.
  - e. Do foreign transaction fees appear as separate line items or are they included as part of the exchange rate?
- 2.** Account reconciliation.
- a. Does the card issuer assist in reconciling central air billings with tickets actually used? Can it reconcile TMC data with billings?
  - b. Is enhanced data passed from the card issuer or card network to facilitate reconciliation? Is it automated or manual? What is the match rate?
- 3.** Avoiding and resolving disputes: How user-friendly is the card issuer's process for disputed charges? Is the card suspended during investigation? If so, for how long?
- a. How does the card issuer check statement accuracy?
  - b. What are the procedures for reporting and tracking disputed charges? Can you resolve a dispute online?
  - c. How are delinquent accounts, suspensions and cancellations handled?
  - d. Does the card issuer provide delinquent payment reports on outstanding charges after giving employees 30 to 45 days to pay their bills? Will overdue accounts be canceled automatically? Will there be a penalty if payment is not made by a specific time?
- J.** Liability provisions: Responsibility for fraud, card misuse and employee delinquency is critical for card issuers and client organizations. Card issuers usually have policies to address them, yet seek clients' help in minimizing exposure. Agreements should cover:
1. Exemption for the company from liability for purchases made with lost or stolen charge cards that have been reported to the card issuer.
  2. Exemption from liability for charges after the company notifies the card issuer of employee termination. Negotiate a maximum period of liability for charges made by terminated employees before the card is returned and canceled.
  3. The roles of the card issuer and client in dealing with delinquencies.
  4. Liability variance by country.
  5. Optional insurance to protect the company against employees' unauthorized use of the card.

- 6.** How will charge-offs affect rebates?
- K. Fraud prevention:** Who is responsible for covering the cost of fraudulent purchases? Does the card issuer have fraud insurance coverage? What controls are in place? Define controls and establish spend patterns at the beginning of a program. Note executive travel patterns and countries visited, as they often get flagged in the beginning of a program. What type of effort will the card issuer make to investigate and resolve issues?
- L. Spend controls:**
1. Can credit limits vary by cardholder, rank, division or travel frequency?
  2. Can daily, weekly or per-transaction limits be set? If limits are used, are they monthly or rolling? If rolling, what is the time frame?
  3. Can they vary by type of merchant so an organization can cap or block spending with some retailers?
- M. Cash services and management.**
1. Decide if, when and to which travelers to provide cash withdrawals.
    - a. Investigate locations of ATMs and card issuer offices in relation to business destinations.
    - b. Research cash-withdrawal and currency-conversion fees.
    - c. Vary limits on the number and amount of cash advances available to cardholders by rank or job title.
    - d. Cash advance reporting.
    - e. Funding and payment processes.
  2. Reimbursement: Some providers offer direct deposit reimbursement to cover travelers' out-of-pocket expenditures, reducing cash-related administration.
- N. Rental car insurance:** Most charge card programs provide supplemental rental car insurance coverage, but terms vary.
1. What car rental insurance is provided: collision or loss damage waiver?
  2. Is the insurance primary or secondary coverage?
  3. What is the limit on a claim, the maximum rental period covered and the types of vehicle covered?
  4. Are there coverage limits based on age?
  5. Eliminate coverage that duplicates corporate coverage.
  6. How will coverage and liability vary by country?
  7. How long does the cardholder have to file a claim?
- O. Air travel/accidental death and dismemberment insurance:** Some coverage is standard, but details differ.
1. Is coverage door to door, or does it only apply while airborne? Does it apply only when traveling via common carriers, and what are considered common carriers, e.g., do hotel shuttles fall into that category? Does it cover terrorism or unforeseen emergencies? Does it cover personal travel put on the corporate card?
  2. Does it cover travel expenses, injuries or deaths that result from accidents or "acts of God" during travel? Compare card base versus corporate coverage to see how to handle acts of war or terror.
  3. Are other types of insurance offered?
    - a. Lost or delayed baggage and airline default.
    - b. Hotel burglary or medical evacuation coverage.
  4. How does coverage vary by country?
- P. Emergency services:** Inquire about referrals for local doctors and lawyers, lost travel documents, driver and financial assistance.
- Q. Trip-planning and follow-up offerings.**
1. Destination information.
  2. Service provider discounts.
  3. Visa and customs regulations.
  4. Track and reclaim value-added tax.
- R. Executive card features:** Although premier level cards have higher annual fees, prudent distribution of these cards can be a good value. Features can include 24/7 VIP customer service, airport lounge access, free international airline companion tickets, leisure travel booking assistance, increased insurance coverage and delivery services for checked bags.
- S. Card issuer background.**
1. Cards issued, management team experience and growth rate.
  2. Charge card history, related businesses and financial results.
  3. Organization and infrastructure.
  4. Multinational support.
  5. Current financial strength.
  6. Related and complementary products, including other payment products, automated sourcing, contract management and spending management solutions.
  7. Experience training for the account management team that would be assigned to your company.
  8. Ongoing support and consulting for card program expansion.
  9. Capabilities as a provider for payment reporting tools.
  10. What is the credit check process for employee cardholders and will it impact individuals' credit?
- T. Acceptance by merchants:** Card networks compete aggressively on this. Ask the network to explain how it calculates the locations or merchants that accept that card.
1. Number of merchants honoring the card by business category and region.
  2. Would the card network, via card issuer request, be willing to do an "acceptance match" for all of the company's top merchants? Because most card issuers promise full acceptance, there should be no charge or fee for extending this to key merchants not already in the card bidder's program. It may not be feasible to add smaller merchants, especially in some foreign countries.
  3. Assess acceptance and merchant fees for the type of card you will be using. Most airlines, hotels and car rental firms accept every corporate card, but merchant fees can vary. T&E cards differ by restaurant and retail merchant acceptance. There are vast differences for P-cards.
  4. Are any merchant fees passed on to cardholders? This is not typical for airlines, but in some locations, this is becoming an issue as the TMC passes the fee back to the client.
  5. Does the card issuer have a dedicated internal group or an alliance with an external company to initiate card acceptance for key suppliers without it?
- U. Evaluate global support capabilities.**
1. Does the card issuer work with banks in various countries to issue cards in local currencies and to consolidate data?
  2. Is there a single point of contact for customer service, with regional or local contacts in multiple countries but with one global manager in your company's headquarters country?
- V. Evaluate both immediate and long-term card issuer support for strategic and mechanical matters. This includes:**
1. Implementation.
    - a. Get a time line from the card issuer on the launch period.
    - b. What is the enrollment process? Can cards be distributed from an HR list, or must each employee complete an application? What type of implementation support does the card issuer provide?
    - c. Will cards be mailed directly to employees or sent to one central-



ized contact for distribution?

- d. What training materials and resources will be provided? Does the card issuer's software have built-in documentation for reference?
  - e. Will the card issuer monitor the launch and field questions?
  - f. Can the card company ensure success of the launch? Consider a key performance indicator for implementation and contracted service levels with incentives and penalties.
2. Account management.
    - a. Will one or more individuals be dedicated to your account? If not, how much time will support staff allocate? Confirm the experience level of your selected team. How many clients will that person handle?
    - b. Confirm your executive sponsor at the card issuer.
    - c. When and how will your account be transferred from launch to the ongoing relationship management team?
    - d. What are the card issuer's procedures for measuring satisfaction, troubleshooting and problem resolution?
  3. Card program administration.
    - a. Will your organization have a dedicated service team, even if you select more than one card issuer?
    - b. Can you apply for cards, terminate accounts, change addresses and perform other account maintenance online in real time?
    - c. Is there a 24-hour worldwide number to report lost or stolen cards? What are the replacement provisions, how long does it take and are there options to expedite? Set a performance metric in this area and report it monthly.
    - d. At what point before expiration dates will employees receive replacement cards?
  4. Merchant support: What are the processes for converting merchants, particularly for P-cards?
  5. Will the card issuer provide transitional services at the end of the agreement if you change providers? Ask for that provision in your contract.

#### IV. MAKE A DEAL

When negotiating, remember that a card issuer is most motivated to control the variables of funding and card issuance costs and credit losses and is interested in shorter float and how quickly you'll pay your bill.

#### A. Fees.

1. Many commercial card issuers do not charge annual fees, even for smaller corporate customers, but they usually charge fees associated with loyalty programs, elite member privileges and requests for rush card deliveries.
  2. A card issuer may waive fees for a smaller account if the company will assume liability for all employee charges and has a good credit history, has other mandated card programs with low client-held days or banking relationships with the card issuer or is located where the card issuer wants to build market share.
  3. Other fees to define:
    - a. Penalty and over-the-limit charges: Are these fees assessed monthly or applied to every charge made over the limit?
    - b. Late fees and interest charges for delinquent accounts.
    - c. Fees for services like cash advances from ATMs, loyalty programs, management reporting, foreign transactions, reconciliation, daily expense reporting, rush cards, receipt copies and statement copies.
- B. Signing bonus/rebates:** A card issuer sometimes offers a signing bonus or rebate for companies whose annual spend on commercial card programs measures in the millions. Many card issuers require three-year contacts, though five years is not unusual.
1. Rebates are tied to the company's annual card spend, payment terms, speed of pay, average transaction size, losses, whether a loyalty program is part of the requirements and other factors, including credit performance.
  2. Payment terms and the company's commitment to get employees to pay on time affect rebate negotiations.
  3. Typically, rebates vary in terms of basis points of the company's volume and for large spenders can be significant. Rebates typically are paid annually but also may be paid quarterly or monthly. Confirm any large-transaction exemptions to rebate calculations. Maximizing float sometimes can be more cost-effective than securing a rebate. On the other hand, some companies agree to pay faster in exchange for larger rebates.
  4. Ask the card issuer to define the rebate calculation structure, perfor-

mance factors and payment schedule.

5. Ask the card issuer to provide support documentation for all of its rebate reductions, including bad debt and loyalty program charges.
  6. The economics of the merchant system differ around the world. If you are issuing cards globally, funds available for rebate will vary considerably. Card issuers could propose a blended rate or rates by region.
- C. Ask the card issuer to demonstrate how the proposed program will save money. Provide information on current methods and costs for such functions as cash advances and expense report accounting.
  - D. Specify contract length, and study limitations and responsibilities. Spell out specific implementation and service requirements in writing for legal review.
  - E. Some card issuers will incorporate the company's logos, company's or business unit's name or co-branding on the card face. However, identifying the company and risks fraudulent activity or may make the cardholder a robbery target.

#### V. IMPLEMENT THE PROGRAM

Communicate with travelers before rolling out a card program. Be ready for questions.

- A. Roll out the program in manageable pieces. Determine the unit most ready to adopt.
- B. Design implementation and communication and announce the program before the cards are activated. Include videos, webinars or instructor-led training. Send reminders. Back up the plan with a direct letter or memo from a high-level executive in the organization who supports or sponsors the program. Your card issuer may provide communication templates.
  1. Ensure each impacted country is involved, including legal and finance.
  2. Sell the program in terms of traveler convenience and service benefits.
  3. Communicate payment policies and specify how violations will be handled. Determine controls like spending and velocity limits, based on policy.
  4. Get cards into travelers' hands just before they are activated.
  5. Follow up with training when the first or second monthly bills arrive.
- C. Establish a point of contact for input and questions from travelers. For initial or ongoing training, consider hosting a recorded educational session about the card benefits and use. ◀