

By Ralf Jackson Walters

Pay It Forward

Payment solutions technology is moving fast.
Before the dust can settle, another new product emerges.

As critical as the need for speedy development of new payment systems may be, choosing the right one can be challenging, if not downright risky. Today's hottest product may be left in the dust next year. In the meantime, the tried and true corporate travel card with its signature magnetic stripe still remains a convenient mainstay.

"Today companies use corporate cards, which are basically phantom card numbers," explains Ed Adams, CEO of Mahwah, NJ-based Directravel. "It ties back into the accounting codes and the justification codes." Adams notes that the changes wrought by the advent of computers and automation has made reporting and expense management much more direct and timely. "Before that, you used to have a roomful of folks to review expense reports and tie everything together." Computing power, he says. "Eliminates a lot of green eyeshades."

So major credit card issuers are continually offering new back-office management and reporting capabilities to stay ahead of the tech tsunami by marrying the magnetic card to the Internet. With easy access, flexibility and control, corporate card accounts give travel managers the ability to log in to check balances and track expenses.

But within the staid, plastic corporate travel card industry, subtle changes are taking place. A small, but increasing segment of market share is shifting over to corporate prepaid travel cards. Right now, prepaid has about five percent market share, but is expected to grow as TMs

search for better ways to control costs and track travel spend, especially in limited-use situations.

Pay Now Or Pay Later?

As evidence of the growing popularity of prepaids, MasterCard recently acquired Travelex and its lucrative prepaid card program management (CPM) operations. "Prepaid is the only way to fly," posts MasterCard Worldwide's chief product officer Timothy Murphy in his blog. Prepaid, he explains, is especially useful in the cross-border payments space where cash and currency conversions can be risky, costly and problematic. Travelex has carved out a niche managing and delivering consumer and corporate prepaid travel cards to business partners worldwide. "From long security lines to airline extra-everything fees, the use of prepaid cards helps alleviate the hassles of modern business travel, and they're safer and more convenient than carrying cash," Murphy writes.

The Bank of Montreal's proprietary BMO Prepaid offers a sensible alternative for the occasional corporate or small business traveler, according to Kevin Tait, senior manager for payment strategy and emerging products. In these infrequent cases – for example when traveling internationally – assigning a permanent corporate card or doling out upfront T&E cash may be unwise or impractical, Tait says. With prepaid cards, expense limits are set by the travel manager who 'charges' the card (assigns its value) with a fixed amount of credit.

Established T&E benchmarks based on city pairs, regional costs, or related industry averages for overnight and extended stay travel can guide a travel manager in knowing how much money to place on the card. "Prepaid cards at BMO have many of the reporting and control features of a regular corporate travel card, including improved merchant category code (MCC) blocking, and individual supplier blocking," Tait explains. Plus cards issued in the US for international travel can be filled with the currency of the destination country. If travel requirements change and the card needs a higher limit, the travel manager can go online and 'charge it up' during the trip.

Prepaid cards are not limited to just travel and entertainment. They can also be used for meetings, employee rewards, single projects, and relocation expenses, providing greater flexibility and solutions for other types of corporate uses. Like its conventional sister card, Tait says the BMO Corporate MasterCard Prepaid can be used at any of the approximately 32 million merchants where MasterCard is accepted globally.

Likewise, the American Express Prepaid Card can be a valuable resource for the very small business owner as well as the infrequent corporate business traveler, according to prepaid services representative Charlotte Hill. The reloadable card can be purchased online, Hill says. It has no fees for the online purchase or for other services like monthly maintenance, balance inquiries, alerts, card replacement, foreign

currency conversion, or loading via a bank account. Furthermore, if the card is lost or stolen, the funds on the card do not expire and can be replaced, Hill says.

Like MasterCard's prepaid card, the American Express product offers online management tools that provide controls and full transparency for how the card is being used, including real-time transaction history and spend monitoring. The card holder or travel manager receives e-mail or text alerts when funds are low and notifications when a transaction occurs. Also included are access protections and benefits like purchase protection, roadside assistance and a global assist hotline, Hill says.

Digital Divide & Conquer

Reimbursing expenses charged to an employee's personal credit card is cumbersome and sometimes confusing. Important transactions might be blocked if charges exceed an employee's credit limit. And, for travel spend managers who desire a single-source payment method along with consistent data and cost controls, the prepaid corporate travel card is proving to be a viable payment solutions option.

Still, the basic corporate magnetic swipe and sign card programs in use in the US have not kept pace with advancing technologies that are being deployed in every other niche of the business travel industry, says David Hillman, principal at Consulting Strategies LLC. "The legacy card systems are basically inflexible, and are unable to capture the additional level of data that other travel service suppliers can supply and travel managers need," Hillman says.

But for new business startups or managed travel programs in the early stages not yet locked into a legacy program, the future is now when it comes to alternative payment solution options. An interesting array of payment systems are available now or are on the drawing board, and they promise to change the way we pay for business travel.

A key element in driving new technology is the quest for fraud-proof payment systems. Critics of legacy swipe-and-sign magnetic stripe cards say it's too easy for digital thieves to rack up thousands of dollars in unauthorized charges before the fraudulent activity is even noticed. Technology has given criminals the ability to read and clone those magnetic stripes, even without having direct access to the physical card.

One anti-theft solution currently being deployed in Canada, Mexico and Europe is the chip-and-pin smart card or EMV (EuroPay Mastercard/Visa). Unlike a swipe and sign card, the user of an EMV simply inserts the card into a point of sale (POS) terminal and enters a secure pin number. If the card is lost, a new one is issued. Because it has a secret pin, reported cases of fraud have dropped dramatically. The UK Cards Association reports that since the EMV's introduction, fraud associated with lost and stolen cards is now at its lowest level in two decades. Counterfeit card fraud losses have also fallen; UK retailer losses have dropped by 67 percent; and "mail non-receipt fraud" has fallen by 91 percent.

"The chip is a reality," says BMO's Tait. But while there is great demand for chip-and-pin EMV-style cards in the US, he points out that switching out millions of POS terminals makes it cost prohibitive

"From long security lines to airline extra-everything fees, the use of prepaid cards helps alleviate the hassles of modern business travel."

right now, even when the proven savings in card fraud are factored in. "We're a number of years away from that," he concludes.

But in any case, it may be too little, too late. Tap and go devices and smart-phone mobile apps for payments are being developed at an astonishing pace. Big investors are racing to develop the next standardized credit payment system to provide a safe and convenient credit experience that will render plastic credit cards museum relics. MasterCard is developing near-field communications technology that will enable "pay pass" or "tap 'n go" credit purchases by embedding the technology into the phone itself, Tait says.

The Virtual Optimist

Conventional corporate travel management wisdom says that 70 percent of the cost of a business trip comes from air, hotel and car rental. But the other 30 percent – the outliers – can cause big headaches for travel managers. Are those

ever-increasing airline ancillary fees for three bags or two? Add in routine miscellaneous costs for client meals, taxi fares, gratuities, and on-the-road office supplies coupled with last-minute printing of sales presentations, and even the best laid travel expense plan winds up shot full of holes.

But that's just one side of the coin. The flip side is how to enforce policy compliance so a corporate travel manager can leverage purchasing power to negotiate vendor cost savings as well as protect the company from unauthorized purchases. Several credit management companies are developing totally electronic payment systems that promise to improve reporting, ease payments, and safeguard credit balances and transactions.

First launched in Europe, eNett International, a joint venture between Travelport and PSP International, recently added US dollars to its growing list of foreign currencies that can use its "Virtual Card" as a payment solution. The company is working with a number of US travel firms to merge eNett's Virtual Card into their existing payment systems, says Darryl Jang, senior vice president of business development.

Available to both IATA and non-IATA travel agencies, the Virtual Card offers global distribution systems (GDS), web sites and other booking tools a seamless and secure method for travel agencies to pay their suppliers. A virtual 16-digit MasterCard account number is issued for specific transactions, mitigating the possibility of fraudulent misuse, reducing service default risks, and streamlining the accounts payable function. The Virtual Card's web-based reporting feature provides real-time tracking of transactions, and ancillary foreign currency transaction fees are frequently eliminated.

J.P. Morgan offers a similar product through its proprietary Single-Use Accounts (SUA) solution. The product was launched in the US in 2004, was recently expanded to Canada in September, and is in use in Europe. Like eNett, it provides unique 16-digit, one-time use credit card numbers for single payments with purchasing controls embedded in the system. The account number is active for a limited time, a stated amount, and electronically matched to pre-purchase information. As a result, the product is touted as being a "fraud-reducing, cost-efficient virtual card payment method for processing supplier payments."

The card was designed to streamline payment processes and help improve cash flow for both buyers and suppliers, according to Andrew Pilkington, J.P. Morgan's president for Global Commercial Card. Single-Use Accounts also allow clients to increase financial rebates associated with credit card payments, further improve payment security, pay vendors more quickly, and continue to reduce paper-based payment processes. The SUA solution is one of J.P. Morgan's fastest growing products, Pilkington says, with client spend nearly quadrupling from

2008 to 2010. "As the majority of procurement payments are still made with paper checks in North America, SUAs deliver a great opportunity for businesses to further improve their payables processes while reaping greater financial reward," Pilkington says.

Additionally, corporate clients can use SUAs to make payments for travel bookings and employee T&E expenses. Large travel-related companies are using SUAs to streamline their internal accounts payable operations, says John Murray of J.P. Morgan's corporate and public affairs.

Online travel agencies, Murray says, have found that SUAs help them eliminate credit card fraud and increase working capital. He explains how the payment system works: When a traveler goes online and makes a hotel reservation for \$200, the OTA captures the guest's name, the \$200 spending limit, the name of the hotel and the length of the guest's stay. Within seconds, this data is sent to J.P. Morgan's purchasing card platform, where an SUA number is created with matching criteria. The travel company then uses the SUA to book the hotel reservation. If the SUA number is used at a different hotel, used for a larger amount or used to book a longer hotel stay, the account transaction will fail, decline, or report as an exception. Murray says that the security features of SUAs protect the traveler, reduce risk for the online travel agency and minimize the possibility of a hotel employee using a card number to make personal purchases.

The RPMG Research Corporation 2010 P-Card Benchmark Survey found that approximately 27 percent of mid-, large- and Fortune 500-size organizations in the US are currently using SUAs, with a projected growth of rate of nearly 50 percent by 2012. The RPMG report also indicates that SUA spend per transaction is outperforming traditional purchasing card spend per transaction, as transaction limits tend to be significantly higher for organizations that use SUAs.

Clearly, the need to access rich and detailed expense data, reduce paper processes and provide safe and secure credit transactions is driving the future of corporate payment systems.

"There's a level of sophistication involved in trying to manage all these companies, all these policies, all these travelers," says Adams of Directravel. "But it does work in concert. The booking tool works with the payment system and with the policies."

Travel managers are looking forward to the day when the road-weary business traveler who turns in a hand-written expense report, accompanied by a double-stapled wad of miscellaneous receipts from Bangkok to Berlin, will be a thing of the past. Still, with millions of point of sale terminals scattered around the world and the merger of plastic and digital cards, major credit card issuers still have a leg up over rival techie startups trying to buck the payment system. **BTE**

UATPSM

UATP offers the travel industry the means to lower distribution costs; the benefits are substantial

- Receive detailed reports for all travel
- Centralize billing and improve cost controls
- Manage corporate spend in less time
- Reduce T&E spending through better compliance of policies

UATP is a low cost payment option that airlines offer to corporate customers so both can reduce the high cost of credit card purchases and travel spend.

Learn more, visit UATP.COM

UATP.COM | marketing@uatp.com

