TREASURY SERVICES

Corporate T&E Spend Benchmarks

Spend metrics that highlight
winning performance

Corporate Card Spending: Key Metrics and Trends

Data analyzed over time with the right rigor can tell a fascinating story. And benchmark metrics, representing the results of hundreds of corporations, can illuminate key trends and showcase best practices. In travel management, it is particularly helpful to identify payment best practices to evaluate how your card program can be optimized to best control spend, support vendor agreements and enforce compliance. We know you are eager to see where you stand, and these comparisons tell that story and more, serving as guideposts to future process improvement.

In this summary, we are pleased to present some highlights from *The 2009 Corporate Travel Card Benchmark Survey Results*, written by Richard Palmer, Chair of the Accounting and MIS Department at Southeast Missouri State University, and Mahendra Gupta, Professor of Accounting and Management at the Olin School of Business at Washington University. Widely considered experts in travel payment, the authors have been publishing their research results since 2004.
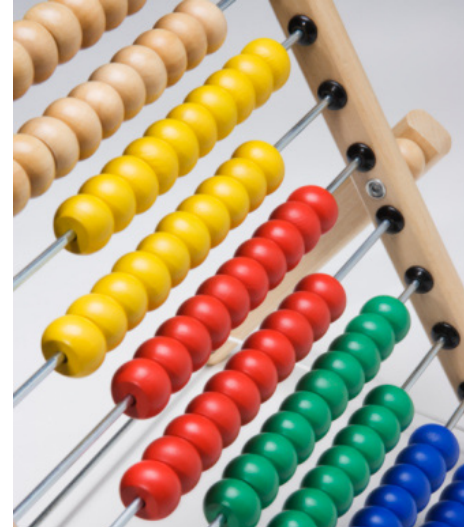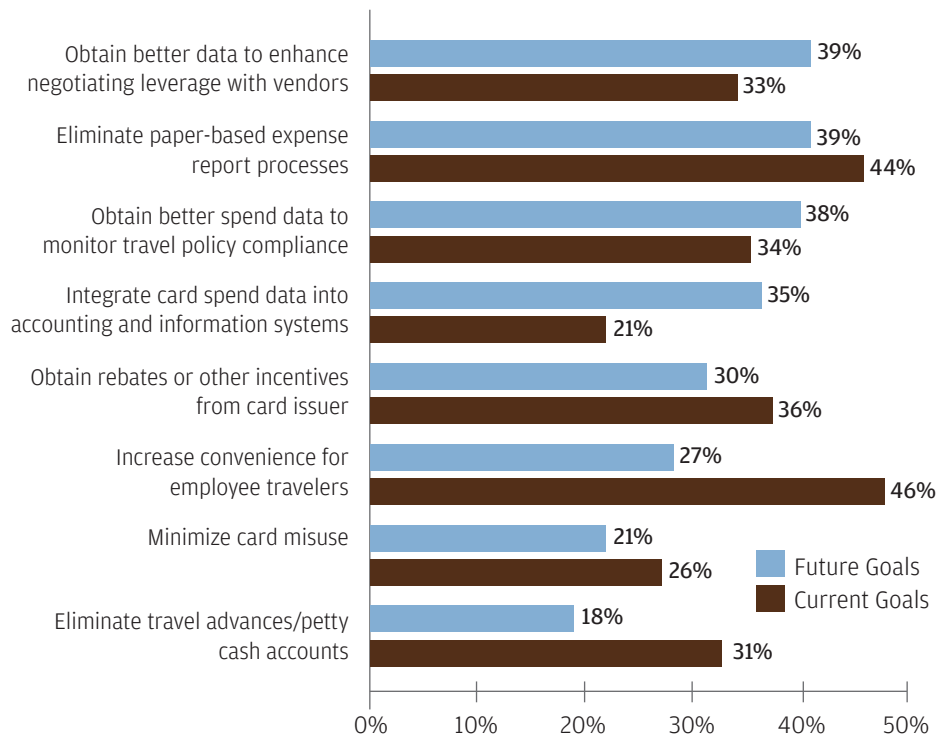
This current survey is based on responses from more than 800 corporations and non-profits that use cards for Travel & Entertainment (T&E) spend. Respondents represent clients of all major corporate card bank issuers in the U.S., including J.P. Morgan. Overall, the results spotlight the value of a travel card program, outlining best practices at the company level and common behaviors among card users. We hope this data serves as a guide for making your T&E program even more effective.

Travel Card Program Goals

This chart shows a striking difference between companies' current and future goals for their card programs. When asked for their current top priority, survey respondents cited "increase convenience for employee travelers." However, going forward, they are shifting focus to cost control. Data is a prime player in that effort, as companies focus on how spend information can enhance vendor negotiations and be used to monitor travel policy compliance.

Automating expense reporting also remains a top priority for the future, but it's clear that companies see new opportunity in integrating card spend data into accounting and information systems. Having made progress in controlling card misuse and reducing cash advances, these goals have slipped down the priority list.

Goal	Future Goals	Current Goals
Obtain better data to enhance negotiating leverage with vendors	39%	33%
Eliminate paper-based expense report processes	39%	44%
Obtain better spend data to monitor travel policy compliance	38%	34%
Integrate card spend data into accounting and information systems	35%	21%
Obtain rebates or other incentives from card issuer	30%	36%
Increase convenience for employee travelers	27%	46%
Minimize card misuse	21%	26%
Eliminate travel advances/petty cash accounts	18%	31%

Where Do Companies Spend their T&E Budgets?

Not surprisingly, business travel spend differs based on an organization's size. Fortune 500 corporations, for example, spend more than one-third of their T&E budgets on air travel—more than either the large or middle market sectors. Non-travel spend for the Fortune 500 is quite low (7%), suggesting that they may have other commercial cards (e.g. a purchasing card) to fund non-travel expenditures or stricter rules about using the T&E card exclusively for travel. In contrast, large and mid-sized companies spend an average of 17% of their T&E budgets on non-travel spend, indicating that they are more expansive in defining what's expensed in their T&E budget line.

For large companies, air travel represents 31% of their budget, while in the middle market, airfares (which might skew more toward domestic vs. international travel) represent only 24% of the budget. Government and non-profit organizations show a different balance. Understandably, restaurant and entertainment spend is relatively low, totaling only 13% of their budgets, as compared with mid-sized companies that designate a total of 20% for meals and entertainment.

Large and mid-sized companies have 17% non-travel spending on the card, while the Fortune 500 have less, due to stricter controls on T&E card use.
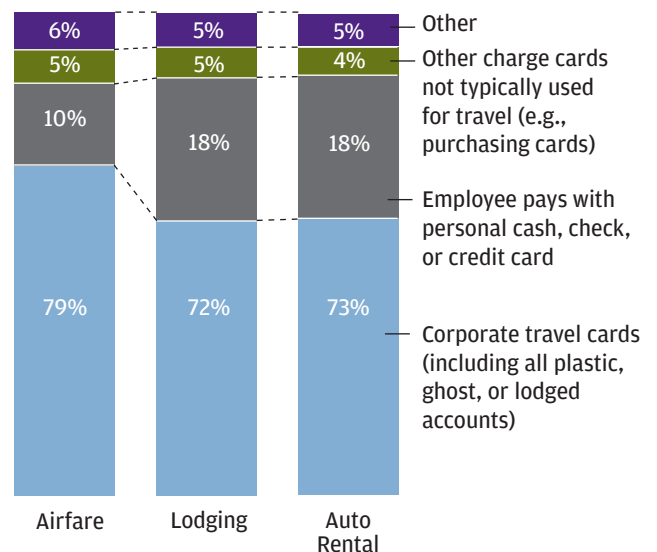
	Fortune 500	Large Market	Middle Market	Government and Not-for-Profit
Air travel	34%	31%	24%	38%
Auto rental	8%	7%	7%	6%
Lodging	22%	20%	24%	24%
Restaurants	13%	12%	15%	11%
Entertainment	6%	4%	5%	2%
Meetings and events	5%	5%	4%	5%
Other travel	5%	4%	5%	5%
Non-travel spending	7%	17%	17%	9%

Business definition of 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.

Percentage of Spend Captured on the T&E Card: Air, Hotel, Car

This chart indicates that there is still a big opportunity for companies to channel even more spend to the T&E card. An average of 10% of air travel is still paid by personal cash, check or card, and in the hotel and car rental area, where reservations might be made by the individual rather than through the designated travel agency, that figure jumps to 18%.

To channel more spending to the T&E card—and get the benefits of rebates, compliance, supplier leverage and process saves—companies may need to consider incentives that will change employee behavior. Initiating stronger mandates and/or offering attractive employee benefits, such as executive cards and rewards, can help move the needle.

	Airfare	Lodging	Auto Rental
Other	6%	5%	5%
Other charge cards not typically used for travel (e.g., purchasing cards)	5%	5%	4%
Employee pays with personal cash, check, or credit card	10%	18%	18%
Corporate travel cards (including all plastic, ghost, or lodged accounts)	79%	72%	73%

Companies Are Taking Bold Steps to Control Spend

Over the past few years, companies have tightened controls in a number of ways, including reducing spend limits, increased training around T&E expense management and using card data to identify out-of-policy spend. Recession belt-tightening has motivated companies to take a stricter approach to payment, but there's been another force in play: payment technology has advanced significantly, giving companies new levers to control T&E spend at the point-of-sale as well as tag misuse after the trip.

This new discipline is seen in a number of statistics:

- Average spending limits have been reduced by nearly 25%
- Fewer companies allow ATM cash withdrawals on travel cards
- Fewer companies allow recurring charges to be automatically debited
- More companies offer training for business travelers and for supervisors who approve their expense reports
- More companies mine card data to identify policy violations or travel card misuse.

Although they seem to be using the "stick" to improve control, companies may be missing an opportunity—through more information and collaboration—to support that strategy. Only 62% of respondents (down from 72%) say that they have a regular method of communicating T&E policy information to employees. If companies don't focus on employee engagement, card program effectiveness could slip.

Best-practice companies are strengthening controls on card use as they tighten their belts. Spending limits are getting tougher, cash advances are sparser, and management has a keen eye on spend data, seeking out instances of policy abuse and misuse of corporate cards.

	2006	2009	Trend
Types of and limits on spending			
Average monthly spend limit	$10,003	$7,558	↓
Median monthly spend limit	$5,000	$4,000	↓
Allow ATM cash withdrawals on travel cards	28%	21%	↓
Allow automatic debits for recurring payments on travel cards?	49%	38%	↓
Training			
Have mandatory initial training requirements for new cardholders	36%	42%	↑
Have mandatory training requirements for individuals who approve card spending	24%	34%	↑
Administration and data mining			
Have ongoing method (e.g., training sessions, Web page, newsletters) of communicating updates or changes in card policy information to employees)	71%	62%	↓
Conduct data mining of travel card transactions to identify policy violations or travel card misuse	61%	68%	↑

The J.P. Morgan team is grateful to the authors for their permission to use these key findings—and for contributing their academic perspective to the travel management area.

Program Performance and Cardholder Activity by Company Size

The survey spotlights interesting variations of T&E card performance based on the size of the company. The Fortune 500 report the highest proportion of employees with cards (19.7%) and have the highest limits on spend, possibly reflecting the fact that they have had card programs longer and have become comfortable with broader card adoption and use. Fortune 500 companies also report a low "monthly travel card spend per employee" as compared to employee spend of large or mid-sized companies.

A few highlights:

- Mid-sized companies have the highest monthly transactions per card (9.34), versus large companies (5.89) and Fortune 500 (4.29). Middle market companies also report monthly travel card spending per employee of $321, versus $180 for large market and $149 for the Fortune 500.
- The average transaction size is highest among large market companies ($212), with middle market companies reporting $100 and the Fortune 500 reporting $176.
- The use of card data to negotiate discounts is a common practice, with the Fortune 500 at the forefront. Mid-sized companies apply their negotiating power more toward obtaining hotel discounts rather than airfare or car rental deals.

	Fortune 500	Large Market	Middle Market
Organization Statistics			
Number of employees	29,967	4,582	656
Age of travel card program	9.08	6.23	5.48
Program Performance Measures			
Number of travel cards	5,907	660	119
Percent of employees who travel on business in a typical month	18.4%	11.6%	17.6%
Card-to-employee ratio	19.7%	14.4%	18.1%
Average monthly travel card spending	$4,459,014	$822,935	$210,827
Median monthly travel card spending	$2,000,000	$484,289	$80,000
Monthly travel card transactions	25,363	3,888	1,108
Monthly travel card spending per employee	$149	$180	$321
Cardholder Activity Measures			
Monthly spending per card	$755	$1,247	$1,776
Monthly transactions per card	4.29	5.89	9.34
Spending per transaction	$176	$212	$100
Inactive cards in a typical month	25%	20%	15%
Spending LImits			
Average per transaction spending limit (where used)	$3,227	$3,053	$2,593
Average monthly spending limit	$9,866	$7,330	$7,491
Use of Card Data in Discount Negotiation			
% that use travel card data when negotiating airfare discounts	60%	48%	26%
% that use travel card data when negotiating lodging discounts	65%	43%	38%
% that use travel card data when negotiating auto rental discounts	65%	48%	30%

Expense Report Processing (Paper-Based vs. Electronic)

Companies that adopt electronic expense reporting experience a 58% reduction in processing costs, averaging $18 per report versus $43 through paper-based reporting. With an automated system, there's an even greater benefit in heightened productivity of clerical staff, and the need for manual input of T&E spend data is minimized, although not completely eliminated. Companies that offer electronic expense reporting are much more likely to use data mining to flag out-of-policy spend or card misuse.

	Paper-Based Expense Reports	Electronic Expense Reports (Pre-populated with card data)
Cost to process an expense report	$43	$18
Expense reports processed per clerical FTE	6,169	16,593
Percent of expense reports audited in a typical month	60%	33%
Manually input some T&E spend data into the general ledger, A/P or IT system	56%	34%
Conduct data mining to identify T&E policy violations or card misuse	58%	79%

Mandating Card Usage

For most organizations, the more a corporate card is used, the greater its value to the organization—which is why best practice companies typically mandate the use of a T&E card rather than allow travelers to use personal cards for business travel expenses. Besides supporting card program benefits of control, revenue and process saves, mandates represent a key step in accelerating supplier consolidation, which in turn helps companies achieve and maintain advantageous vendor discounts.

As a powerful tactic to improve expense management, mandating card usage has become increasingly popular among companies of all sizes. That is not the case, however, in most public sector organizations, which have been more reluctant to embrace T&E card mandates.

	Fortune 500	Large Market	Middle Market	Government and Not-for-Profit
Percent of Organizations that Mandate Travel Card Use				
2009	72%	71%	58%	31%
2006	67%	59%	47%	32%

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