# innovate

## INTRODUCTION

### INNOVATE 2015

The BTN Group's Innovate 2015 Conference for the Advancement of Business Travel offered business travel executives the opportunity to articulate priorities and recommendations about five of the biggest challenges facing corporate travel buyers and suppliers:

- Advancing Actionable Intelligence
- Alternative Payment Practices
- The Future of Travel Buying
- The Promise of a Unified Mobile Travel App
- Building A Better Distribution System

THE INNOVATE 2015 WHITE PAPERS DOCUMENT THE RESULTS OF THESE EFFORTS.

IN FOCUS: **ALTERNATIVE PAYMENT PRACTICES.**

The BTN Group worked first with its Advisory Board and then with a dedicated Steering Committee to identify the focus topics for 2015. *Business Travel News* editors then recruited a group of leading business travel professionals to participate in independent task forces that could identify specific concerns and posit new ideas for moving the practice, the tools and the objectives of business travel management into the future. Think Tank sessions held during the Innovate 2015 Conference served to validate concerns and flesh out innovation concepts.

# ALTERNATIVE PAYMENT PRACTICES

BY JOANN DELUNA

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Alternative Payment Practices

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**It's hard to imagine a time when the plastic payment card will be obsolete; but the proliferation of mobile devices, the promise of convenience and the assurance of increased security are pushing alternative payment tools to the fore. For corporate travel programs, reconciliation challenges enter the picture along with increased demand for non-traditional travel bookings. The result is an expanding payment landscape, with established suppliers pushing new products and new players emerging.**

## MARKET SNAPSHOT: VIRTUAL CARDS

Virtual cards entered corporate travel in a big way over the past three years. There were only a handful of providers when they became available in 2006, but in 2015 virtual card announcements in the corporate travel space have ranged from established names like AirPlus and American Express to GDS partnerships with platform providers like eNett and Conferma. TMCs have also partnered with the likes of Wex, Conferma and CSI globalVCard to offer virtual payment options to corporate clients. Additionally, the managed travel space has welcomed new offerings from GraspTechnologies and virtual card startup PayForTrip.

### Opportunities & Challenges

The rush to grab share in the virtual card space reveals the level of opportunity projected onto the T&E market. Among advantages, secure transactions are primary: A single-use, tokenized 16-digit number ties back to an existing account without any traceable information passed through a point-of-sale system or ecommerce site. That feature has clear value both for individual consumers and corporate payments, but additional advantagers have emerged for corporates—and particularly for travel.

On the front end, managers control virtual card issuance against a centralized credit line or pre-funded account. They can determine transaction limits, define approved merchant groups and set card effective dates. Because each card is tied to one transaction, reconciliation is easier on the back end. Buyers say the solution is right for recruits and contract workers who need to travel but are not issued corporate cards. Additionally, they work well for employees who may not qualify for individual liability cards.

Just as virtual cards provide advantages, however, they also introduce new challenges. Hotel payment has been a particular pain point, heightened by the fact that it is among the best use cases for the product.

Lack of familiarity, insufficient employee training and—most problematic—antiquated fax confirmations can derail virtual card reservations at the hotel front desk. If fax confirmations are lost, virtual card solutions can become a snare of phone calls and urgent re-faxing exercises that often require after-hours support. If that hurdle is cleared, a common front desk "precharge" for $1 to confirm the card number is active revokes the balance and the one-time use of the card. Both of these issues have the potential to leave travelers stranded and travel managers scrambling to issue another form of payment at a moment's notice.

Secondary hotel-related concerns center on the failure of travelers to cancel unneeded hotel reservations when using a virtual card, as the charge does not hit the traveler's personal or corporate card. Even if the reservation is cancelled, though, the virtual card may be charged. That leaves travel managers to scrutinize reports and contact hotels to ensure virtual card funds are returned. This can be a time-consuming process.

While virtual cards provide advantages, they also introduce new challenges. Hotel payment has been a particular plague.

Finally, most virtual card programs require client companies to have a credit line and a specific account to fund the card numbers, which can be tricky to attain for smaller enterprises and startups with little to no credit history.

**Solutions & Innovations**

While some virtual card providers have developed mobile apps allowing users to display digital versions of the card details or immediately re-fax authorization details to help to facilitate check in, the ultimate goal is to eliminate the fax altogether. There has been some progress along these lines.

In May 2015, Hotel Technology Next Generation released industry standards for hotels to distinguishing virtual cards from plastic credit cards within their processing systems, eliminating the need to fax. Because the standard is not mandatory, however, adoption promises to be gradual along the processing chain.

Independently, Choice Hotels International in July implemented its own solution to sidestep the fax issue for virtual cards. A travel manager or TMC inserts a four-digit code in the global distribution system indicating a reservation was done with a virtual card. Choice's hotel management system then recognizes the card number as virtual, notifying the front desk clerk that Choice has authorized the client and no fax confirmation is needed. The clerk then can charge the virtual card for room and tax without asking the traveler for a credit card. While the solution is Choice hotel-specific, other brands could follow suit.

Beyond hotel reservation and payment, secondary concerns have simpler solutions. Companies with challenging credit scenarios may look to pre-funded virtual card models. For unused funds, some virtual card providers automatically block the card if a hotel reservation is canceled through the same channel it was reserved. For companies using solutions that don't automate this, program managers should consider a virtual card cancellation policy or lean on the agency to notify travelers to cancel the virtual card when a hotel reservation is cancelled.

To function fully as a corporate travel payment solution, virtual cards also need to expand their use cases. One objective is to get car rental on virtual cards, which has proved tricky for various reasons. For one, car rental firms don't typically let travelers collect a car without a physical card. The insurance issue in case of an accident also complicates the ability to predetermine the virtual card's transaction amount. At least one provider is working with its TMC partners on a solution for car rental to allow the virtual card number to have multiple low-dollar transactions.

> Reloadable cards could be vastly improved. Think Tank members suggested being able to send the reloadable car to a smartphone, thereby eliminating the need to overnight a card.

**MARKET SNAPSHOT: RELOADABLE CARDS**

Similar to virtual cards, reloadable corporate cards reduce the traveler's burden to fund large ticket items, as companies can centrally pay for flights and lodging and issue reloadable cards for per diems or other expenses. As the cards are based on a company's available funds, an additional credit line is not needed, making them a viable option for companies with limited credit.

They're also good for bigger companies with a large population of travelers without corporate cards. Companies typically receive a box of reloadable plastic cards that managers are responsible for assigning, loading into the system, funding and distributing to travelers. Depending on the provider, companies can block cash withdraws and certain merchants category codes. Refundable cards function similarly to gift cards, as they're valueless after the funds are exhausted and until they're reloaded.

**Opportunities & Challenges**

Reloadable cards reduce the need to set employees up in a company's automated expense system, reduce the number of expense reports created and the administrative burden on the expense front. In the United States the cards meet IRS compliance, eliminating the need for additional expense reporting.

Administering the actual card program, however, requires significant attention to ensure travelers have funds when they need them. This can be a constant pressure, depending on the number of cards in the field. Plus, some cards can only be reloaded a set number of times before a manager must issue a new card. Meant as a security measure, it can be an added burden and expense.

Some bank issuers won't count spend from reloadable cards toward a company's rebate. This may be a negotiating matter, which can be more difficult for smaller businesses. Collecting data from reloadable cards may not be an option, making reconciliation difficult.

**Solutions & Innovation**

Reloadable card features vary depending on the provider, so managers must compare each offering to decide which product is right for them. Some providers allow blocks on ATM withdraws and merchant category codes. Some will count spend toward rebates. Some provide cards valid for 10 years, while others may only be reloaded 10 times within a three-year period. In terms of reconciling, it depends on the jurisdiction.

Reloadable cards could be improved overall. Overnight shipping is costly, so the ability to send a card to the user's smartphone would make them more practical and could open additional use cases, such as mileage or fuel cards, relocation expenses, or salary cards in countries where stationed travelers can't open bank accounts.

**MARKET SNAPSHOT: MOBILE WALLETS**

Mobile payments are the new promise land, according to providers that tout their ease of use, security features and coolness factor. While banks have scurried to provide consumers access to such mobile wallets as Apple Pay through various smart devices and wearable technologies, they've been slower to roll out to corporate customers. While Google Wallet had been compatible with American Express corporate cards for several years, adoption was scarce to non-existent.

> Apple's brand popularity and its newly released biometric security authentication feature eased consumer adoption of Apple Pay. Still, corporates have different needs than consumers.

That said, Apple's brand popularity and its newly released biometric security authentication eased consumer adoption of Apple Pay. Still, corporates have different needs, including heightened security, reconciliation, data and integration with business management systems.

While all mobile wallets will be slightly different depending on the provider, they utilize the same premise: Users can store credit card details on their mobile devices to purchase items at merchants with near-field communications-enabled terminals. A user simply waves or taps the device to activate the service, then confirms which card they'd like to use. On the backend, the wallets use tokenization to substitute or encrypt card information. If a phone is hacked thieves will not be able to access card details.

**Why Are Corporates Slow To Adopt?**

Corporate adoption of mobile wallets has been stalled for various reasons. For one, networks and issuers have been slow to enable the technology's use on the corporate side, claiming additional technology requirements were needed. American Express in August 2015 became the first network and card issuer to enable Apple Pay for corporates. MasterCard in October enabled corporate use for all mobile wallets subject to issuer adoption.

Although the different wallet providers claim millions of accepting locations, the merchant terminals business travelers would need—airlines, hotels and car rentals—are not widely available. More merchants will eventually enable the functionality. The advent of the EuroPay, MasterCard and Visa (EMV) chip technology will force the issue of terminal upgrades, which should also speed availability of NFC technology.

**A CONVERGING FUTURE?**

Ultimately, the industry may reach a point where alternative payment solutions intersect, providing clients with one encompassing solution to meet reporting and security needs, while providing travelers an easy payment experience. For now, the industry is listening to clients and making strides to improve existing products and expand acceptance.

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