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Under Amex's Shadow, Travel Management Companies Tighten Payment Ties

By Jay Campbell • October 25, 2019

BCD Travel on Thursday announced it would become UATP's first travel management company issuer of lodge card accounts. An official from CWT said the TMC expected soon to make announcements about payment partnerships for next year. TripActions is said to be working on a card. There's also the TravelBank-Brex partnership, not to mention the new Expensify card.

Corporate travel payment is hot enough to melt plastic, but why now? And why hadn't TMCs previously competed with the original two-headed combatant, American Express?

First, the opportunities. No surprise here, there's money in payment. Merchants pay a couple percentage points on sales through card networks, varying by the network. Card issuers may share that with marketing partners (or pay them a referral fee). Like any company, TMCs should be on the lookout for new [revenue streams](#).

"As an issuer of the UATP account, BCD Travel will share in the economic value just like any other issuer of payment schemes such as Visa, Mastercard and American Express," according to a written statement

by BCD Travel VP for commercial payment solutions Mario Kriebel. "The fees are proportionate to the value provided by an issuer for taking on things such as credit risks, customer acquisition, customer service, marketing and management of customer transactions."

There's customer benefit in payment. TMCs for decades helped clients by marrying card data with itinerary data and cleaning it up for better accounting, negotiating and policy-making. Various [third-party](#) companies help perform the service. The tighter the tie-up between the travel company and the payment company, the cleaner the marriage. This also should mean more efficient expense management.

Of course, there are challenges. One reason the likes of BCD Travel and CWT didn't traditionally offer their own payment products is that [large multinationals](#) tend to have deep banking partnerships. Decisions about which corporate card to use often are secondary to and determined by which bank to use. That's usually decided by the finance, treasury or procurement departments, not travel.

"We are very realistic and know that selling against the big players might not be the best idea," Kriebel acknowledged. "But we do serve the [midmarket](#), often clients without a proper card program in place. Some still use invoicing right now. The aim is to start small and see how the market reacts."

Another roadblock is about mindset and purpose. Eleven years ago, CWT announced a preferred partnership with American Express. It was more of a referral arrangement than an integrated product offering and did not endure. Realizing greater reward from such alliances requires deeper investment. For a TMC to become a card issuer, it must provision cards, allocate credit and handle customer care. Are these part of a TMC's core business?

According to Kriebel, the UATP program means BCD Travel is responsible for "the full issuer process — including card application and credit check — and we keep income generated from card fees applied to airline transactions." That's different from the TMC's historical cooperation on payment, including co-branded cards.

BCD has a global payments team to lead the new offering, which will be available to U.S. clients starting next year. The ultimate goal is to provide a global BCD form of payment based on the UATP network. "For a long time, TMCs saw payment as a utility and did not position it as a product," said Luis Yofe, a veteran of



several payment and travel companies who now heads industry relations at San Diego-based agency LBF Travel. "But with the rethinking of the traveler experience, and with new entrants like TravelBank, TripActions and others redesigning and innovating on the booking experience, integration between payments and business travel management is hot right now. We're seeing a lot of partnerships and horizontal integration."

Tech is cheaper and competition is tougher. Everyone is going after small and [midsized](#) clients, and the [traveler experience](#) is paramount.

During a Thursday phone interview, CWT vice president of payments Dave Holmes said he had observed a movement among TMCs to become "further entrenched" in payment.

"In many instances you do provide a stronger value proposition," said Holmes, a former UATP exec. "Tech is a better enabler of that whole issue now. [Virtual cards](#) are capturing cost center info, aligning into [mobile technology](#) in the hands of a traveler, and all that flows back to things we control as a TMC."

CWT is considering making deals with global card issuers. Preferred relationships that could come next year would enhance reporting, virtual-card deployment, mobile payment and expense process efficiency.

"The key driver behind the trend is the need and desire for the industry to simplify, improve, innovate and automate the end-to-end process from booking to accounting," according to Kriebel. "Today, the user experience related to payments and expense management in corporate travel is still a multi-step journey with significant pain points around convenience, data quality and errors."

Airline-owned UATP prides itself on a custom billing system and enhanced reporting on air transactions at the itinerary level. This shows not only origin and destination, date and airline, but also passenger name record details like class of service.

One inhibitor to making issuers out of TMCs (they long had facilitated UATP payment to those merchants accepting it) was an airline industry phenomenon.

"The contentious relationship between TMCs and carriers may have prevented consideration of this," said UATP chairman, president and CEO Ralph Kaiser during a Thursday phone interview. "More recently, our board is a lot more enlightened and progressive. They see the advantage to the airline industry of having more UATP accounts in the market."

The company last year [revealed plans](#) to enable TMCs as account issuers. UATP is cheaper for airlines to accept than other cards.

According to Kriebel, the TMC's UATP program can be a good choice for customers

seeking centralized travel payment and invoicing and/or those not looking to issue cards to infrequent travelers and [non-employees](#). BCD Travel has no plans to issue individual corporate cards.

Welcome, Competition

As tech enables incumbents, it gives birth to new entrants. In the travel management world, no startup has attracted more attention than [TripActions](#). Four sources independently mentioned that TripActions was working on a new payment initiative, perhaps a corporate card. TripActions officials did not respond to a request for details. It's not clear what such an initiative could mean for its partnership with [Divvy](#), a startup expense management and virtual card company.

Travel and expense startup [TravelBank](#) has made headway through a nearly one-year-old partnership with Brex. The corporate card firm targets venture-funded companies and offers cash back and rewards points for travel purchases. The collaboration created more than 1,000 mutual customers, according to TravelBank co-founder Duke Chung.

"We don't have any plans to move into the credit card/payments space," Chung told



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RALPH KAISER
UATP CHAIRMAN, PRESIDENT AND CEO

The Company Dime last week. "We have a very strong partner in Brex and believe that has led others to try to figure out how to compete with us and Brex together."

American Express last week showed it had taken notice of Brex. In addition to some points and partner perks in its corporate card programs, Amex announced a "custom" offering specifically for startups.

As with Brex and the [Expensify card](#), the program has looser-than-normal requirements for taking on liability and uses the client's bank account to underwrite the credit limit. "For startups, this means big spending power that is not fixed, with no personal credit score impact, no personal guarantee and no security deposit," according to Amex.

Still champion of the combination of travel management with payment, Amex clearly has more company.

"I have always heard anecdotally that TMCs would love to have a competitive

response to Amex," said Kaiser. "There's some inherent advantage to having a card facility."

Kriebel highlighted the "end-to-end" solution offered by a competitor that he did not name but which is known for its "[closed-loop network](#)."

"With changes in the technology landscape and the growth of mobile, digital and virtual payments," he argued, "many other companies now are able to provide a more integrated offering to customers and bring the same or better benefits and value proposition as that of the closed-loop solution."

This month, American Express Global Business Travel if anything strengthened ties to half-owner American Express by replacing GBT's CEO, Doug Anderson, with longtime Amex exec Paul Abbott. Abbott has served American Express for more than two decades, most recently as chief commercial officer of the \$12 billion global business-to-business card division.