In this issue of *Payment Solutions News*, we look at how the increase in business travel is driving innovations in commercial payment solutions.

Business travel activity is very much dependent on economic growth and business confidence. In recent years, as the U.S. economy has recovered from the Great Recession, business travel—in terms of the number of trips and spending—has also been on a steady growth trajectory.

- According to the Global Business Travel Association, U.S. business travel spending is projected to grow in 2017 by 3.8% to $293 billion, with trip volume growing 2.7% to 521 million trips.¹
- TravelClick reported that business bookings at U.S. hotels will grow by 8.6% in 2Q17.²

Expectations for business travel growth are predicated on improved economic performance (as seen in key macroeconomic metrics on the following page), which in turn feeds growth in business optimism.
As a result of all these optimistic signs, we anticipate significant business travel growth in 2017.

**BUSINESS TRAVEL CHALLENGES AND OPPORTUNITIES**

Business travel is a major activity for many companies, and it also represents a significant cost. Savvy travel managers and finance departments are continually on the lookout for solutions that reduce their administrative burden and resolve other challenges traditionally associated with processing travel expenses.

According to a recent survey of business travelers, respondents made an average of seven business trips from June 2015 to June 2016 and expect their business travel to increase. At this pace, it’s no wonder that these travelers are looking for new solutions to reduce the hassles associated with travel, especially in relation to filing expenses. Their openness to using applications for business travel is a reflection of a growing comfort with using technology for business activities and strong desire to ease their administrative burden.

- According to a 2016 KDS survey, 41% of travelers use spreadsheets for tracking and submitting expenses; 18% of these claimed it takes them 1-2 hours to submit an expense claim.

- According to *Business Travel News’* 2016 Expense Manager Survey, travelers identified a need for mobile solutions, including mobile receipt imaging (cited by 76% of travelers), mobile expense reporting (59%) and mobile expense approvals (58%).

As a leading U.S. bank with a significant number of clients engaged in domestic and international business travel, we know that our corporate cards, as well as several complementary technology solutions, can help improve efficiency and help ease the burden on travelers and their companies.

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A report from Aberdeen Group found that companies budget as much as 8-12% of their annual revenue for T&E spending.

A recent survey by Forrester found that the two most common challenges cited by travel managers were the amount of time required to handle T&E paperwork and approvals, and the number of inaccuracies caused by human error.
CORPORATE CARDS
PNC’s suite of corporate cards—which include the PNC Corporate Card and the PNC Executive Card—includes a range of features that provide benefits to both business travelers and program administrators.

<table>
<thead>
<tr>
<th>Business Traveler Benefits</th>
<th>Program Administrator Benefits</th>
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<tbody>
<tr>
<td>• Using corporate cards rather than personal credit cards means that personal credit lines are not depleted and credit scores are not affected</td>
<td>• Range of spending controls (including transaction limits and merchant category code restrictions), fraud alerts and employee misuse protection</td>
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<tr>
<td>• Range of travel benefits including trip delay coverage, hotel theft protection, travel accident insurance, auto collision damage waiver, a range of emergency services and lost luggage reimbursement. Additional benefits, such as Global Entry and airline club membership fee statement credits, may be available to Executive Card users.</td>
<td>• Reduced administrative burden due to online administration, including Central Travel Account Reconciliation</td>
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<tr>
<td>• EMV® functionality for secure and convenient payment, especially when traveling internationally</td>
<td>• Consolidated spend for insights into company spending and maximizing financial returns</td>
</tr>
<tr>
<td>• Less time spent submitting expense claims; fewer disputes with travel management</td>
<td>• Consolidated reporting for greater insights into business travel spending patterns (which can be leveraged to negotiate discounts with travel providers, such as airlines, car rental companies and hotel chains)</td>
</tr>
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<td></td>
<td>• Program optimization support from PNC</td>
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INTEGRATING MOBILE PAYMENTS FUNCTIONALITY INTO PNC COMMERCIAL CARD PRODUCTS
Reflecting PNC’s ongoing commitment to enhance our commercial card feature set, we are pleased to announce that we are extending mobile payment functionality to our commercial card products. This makes PNC one of the first commercial card issuers to offer mobile payments functionality. This launch of this new offering is covered in greater detail in our Product Spotlight section.

ACTIVEPAY® AND VISA INTELLILINK ADD EFFICIENCY AND TIME SAVINGS
To reduce travel-related paperwork and reporting workload for program administrators, PNC offers a streamlined solution that supports automated reconciliation of air travel purchases made with a central travel account. Our solution enables clients to consolidate multiple flight bookings into a single central travel account card held by a third party, such as a travel agent or online reservation system. Through PNC’s established relationships, your company can pass key reconciliation details such as general ledger codes, cost centers, employee IDs and more, all through participating travel agencies to automate the reconciliation process.

Additionally, our wide range of reporting options enable clients to gain strong insights into—and control over—travel spending. Through our ActivePay and Visa IntelliLink Spend Management platforms, PNC provides a range of travel expense management functionality, including online expense reporting, mobile receipt imaging, and mobile expense reporting and approval. This streamlines expense report creation and submission for business travelers, as well as enables program administrators to benefit from greater efficiency in expense approval and reporting.

For PNC clients who use their own or other third-party expense reporting systems, our solutions allow travel administrators to automatically feed their commercial card transaction data into their third-party expense reporting systems. In addition, PNC’s dedicated implementation team creates customized programs to meet each client’s unique travel needs and provides ongoing support to ensure they realize the full value of their centralized travel account.

IN THIS ISSUE
• In the Product Spotlight, we highlight the new mobile wallet functionality for PNC Corporate Card Programs.
• Quick Tips focuses on issues facing travel administrators as they build and grow Corporate Card Programs.
• In By the Numbers, we take a look at the growth in mobile wallet spending globally, specifically using Corporate Cards.
• Finally, under Commercial Payment Trends, we look at some recent developments in the commercial payments sector, and link directly back to previous issues in the PNC Payment Solutions News archive that relate to these topics.

Discover how PNC can deliver ideas, insights and solutions to help you achieve your objectives.
Contact your PNC Treasury Management Officer or Account Manager, or visit pnc.com/treasury.

pnc.com/paymentsolutionsnews
Emerging payment technologies have the potential to dramatically transform the way organizations make payments. Commercial card payment professionals are eager to adopt capabilities that provide convenience, increased security and process improvement. Mobile payment channels are one way for companies to achieve these goals.

- The advantages of the latest payment technologies are well-appreciated by commercial card payment professionals.8
- Mobile technology has been rapidly evolving to support the needs of business travelers.9
- While the majority of current mobile usage supports flight, hotel or car rental bookings, mobile capabilities are increasingly being deployed for point-of-sale payment-related activity.10
- Over the next three years, the number of companies using mobile devices to pay for travel services is projected to increase.11

GROWTH IN MOBILE COMMERCE VOLUME IS DRIVING MOBILE PAYMENTS

- comScore recently reported that electronic commerce volume rose 18% y/y to $109 billion in 4Q16.
  - In particular, mobile commerce volume Jumped 45% y/y to $22.7 billion.
  - Mobile commerce’s share of total electronic volume rose from 17% in 4Q15 to 21% in 4Q16.12
- Mobile Ecosystem Forum’s Mobile Money Report found that 78% of shoppers made a purchase on their smartphone in 2016.13
- eMarketer is projecting that U.S. proximity mobile payments volume will grow more than 10-fold between 2015 and 2020.14

MOBILE WALLET PAYMENTS AND PNC’S COMMERCIAL CARDS

As noted in the introduction, PNC is one of the first U.S. banks to extend mobile payment functionality to a commercial card product suite. We expect this new capability will help our commercial card clients to better meet the changing demographics and payment preferences of their employee base in this constantly evolving payment landscape.

Clients can now add a PNC commercial card to a mobile wallet app to make in-store purchases at merchant locations that accept contactless payments and “in-app” purchases when the corresponding mobile wallet icon is displayed as a payment option. This provides a convenient and secure payment option for business travelers, while also streamlining the back-end reconciliation process for administrators.

ELIGIBLE TECHNOLOGIES AND DEVICES

To start using one of the following mobile wallet applications, cardholders must ensure their branded eligible device is running the most recent version of software.

<table>
<thead>
<tr>
<th>Mobile Wallet</th>
<th>Information</th>
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<tbody>
<tr>
<td>Apple Pay®</td>
<td>Please refer to <a href="http://support.apple.com/apple-pay">support.apple.com/apple-pay</a> for a complete list of eligible devices.</td>
</tr>
<tr>
<td>Samsung Pay</td>
<td>Samsung Pay is available with the Galaxy family of devices utilizing the most recent version of software. Please visit <a href="http://samsung.com/pay">samsung.com/pay</a> for a full list of compatible devices.</td>
</tr>
<tr>
<td>Android Pay™</td>
<td>Android Pay is available to consumers with Near Field Communication (NFC) and HCE enabled devices with the most recent version of software. Please visit <a href="http://android.com/pay">android.com/pay</a> for more information.</td>
</tr>
</tbody>
</table>
EXTENDING MOBILE WALLETs TO PNC COMMERCIAL CARDS

SIMPLIFY PURCHASING WHILE INCREASING SECURITY
By linking to a PNC commercial credit card, our clients have access to the same protections and benefits they enjoy when using their plastic cards at the point of sale or online. In addition, the mobile payment apps provide a range of security features:

- Commercial card numbers are not stored on the mobile device; a unique "virtual" account number is created by the app for each transaction (tokenization).
- Account numbers are never shared with the merchant.
- Cardholders are authenticated through a two-step identification and verification process when adding their commercial card.
- Transactions monitored by the same PNC security & privacy that protects a physical PNC commercial card.

GETTING STARTED
After confirming that your commercial card policy permits the use of mobile wallets, follow these simple steps to start using your PNC commercial card today to make purchases using Apple Pay, Samsung Pay or Android Pay.

1. **Download and open the wallet app** on a compatible device. Make sure your program administrator has included your mobile phone number in your commercial cardholder profile.
2. **Follow instructions to add the PNC commercial card** to the app.
3. **Call cardholder support** to verify your identity and complete the process.

You're ready to make purchases!

- **In-store** by holding the phone in front of a contactless terminal.
- **TIP:** Look for signs at checkout that Apple Pay, Samsung Pay or Android Pay is accepted.
- **In the app** by clicking on the Apple Pay, Samsung Pay or Android Pay button.

Following the transaction, cardholders receive an electronic transaction receipt.

The introduction of mobile wallet payment functionality to our commercial card underscores PNC's commitment to providing innovative solutions that reflect our clients' changing needs, preferences and spending behaviors.

KEY LINKS AND ADDITIONAL INFORMATION
Visit the links below to learn more about using mobile wallet technology with your PNC commercial card:

- Apple Pay
- Samsung Pay
- Android Pay

pnc.com/paysolutionsnews
As you begin to build a Corporate Card program, you may experience some hesitancy to use the card or questions from your employees surrounding why a Corporate Card for T&E spending is beneficial. We’ve put together answers to some typical questions that arise when implementing a Corporate Card program and hope these practical tips will help you maximize the success of your program.

**Q.** How do I start a Corporate Card program for T&E spending?

**A.** There are a number of key steps to get started to maximize adoption and have a successful program.

- Create a business case, highlighting key benefits for the company and travelers, while also identifying key challenges (and proposing strategies to tackle each of these challenges).
- Develop a transition plan, with key milestones, roles and responsibilities.
- Encourage senior executives to support the process and to lead by example.
- Establish a company travel policy and communicate with travelers. According to a GBTA Foundation report, 79% of business travelers report their company’s travel policy plays a “large” or “very large” role on their decision when booking travel for work.
- Work with your PNC implementation and account team, who can offer advice and provide tools to help you get the most from your corporate card programs.

**Q.** How do I convince key internal company stakeholders to get on board with—and champion—the switch to corporate cards for business travel?

**A.** As you endeavor to build a company-wide consensus around the merits of switching to corporate cards for business travel, emphasize the specific benefits for each department.

- **Finance Department:** reduced administrative burden, as well as opportunities to leverage the intel gained from spending reports to negotiate discounts with certain suppliers.
- **Sales Management:** focus on traveling employee efficiency, less time spent in submitting expenses and fewer disputes.
- **IT Department:** access to the PNC implementation team to facilitate the effective rollout of the corporate card program.
- **Senior Management:** ability to both reduce costs and generate additional revenues for the company. Executives also will have access to the many features and benefits that come with Executive Cards, and can use their experience to set an example for other traveling employees.

A study by TSYS, a leading payments processor, revealed that while 68% of business travelers use a company card for travel expenses, 60% of business travelers also use their personal debit or credit card in addition to a company card.¹⁵
Q. How do I encourage individual business travelers to switch from their personal cards to Corporate Cards for their business travel spending?

A. The key is to use a combination of carrot and stick. You may consider providing incentives for individuals to switch. However, at the same time, business travelers should be informed that the company is moving to using corporate cards to pay for travel-related expenditures.

Additionally, there are a number of benefits for employees switching to corporate cards for T&E spending:

- Less time needed to submit expenses and fewer disputes about them.
- Access to a wide range of features and benefits with corporate cards, such as access to airline lounges, concierge services, chip and PIN functionality for an improved travel experience in PIN-preferring countries, as well as a wide range of travel protections (many of which are not available on personal credit cards).
- No business travel spending potentially depleting their personal line of credit or having a negative impact on their personal credit score.

Q. How can I protect against employee misuse of T&E spending?

A. Remember your clearly articulated company travel policy? It’s extremely important to implement the policy, as well as:

- Mandate use of corporate cards for business travel spending. According to a recent AFP survey, while organizations reported a rise in payments fraud between 2015 and 2016, incidence of corporate card fraud has declined from 39% in 2015 to 32% in 2016 (an 18% decrease).16
- Set controls/limits on corporate card spending. You can do this with merchant category code (MCC) restrictions or spending limits.
- Use reporting tools to identify unusual spending patterns/potential misuse.
Electronic commerce and mobile share of e-commerce have been steadily growing.

Mobile spending is primarily done by retail customers. However, business travelers are beginning to show interest in using alternative forms of payment.

Age matters. Among U.S. business travelers, interest in using mobile payments or e-wallet technologies varies by age. But almost half of business travelers aged 55+ said they would use e-wallet technology.19

- 79% said they were likely or very likely to use e-wallet technology
- 58% said they were likely or very likely to use e-wallet technology
- 47% said they were likely or very likely to use e-wallet technology

As a whole, global business travelers favor Corporate Cards over other payment forms for trip-related expenses. And the number of travelers using mobile wallets continues to grow.

- 14% Percentage of business travelers globally using mobile wallets tied to Corporate Cards in January 2017.20

Global spending via mobile wallets is projected to continue to rise by 32% in 2017 to $1.35 trillion.17

60% Percentage of North American business travelers who are likely or very likely to use alternative forms of payment, if the option was available.18
EMV®

- Visa® reached two key EMV-related milestones in March 2017:
  - More than 2 million merchants now accept chip cards (2.02 million, +98% y/y), representing 44% of U.S. storefronts.
  - More than 1 billion Visa chip transactions (1,001.3 million transactions, +230% y/y). These transactions came from 421 million cards (+98% y/y) and generated $49.1 billion in Visa chip card volume (+165% y/y).

**Winter 2014 issue:** summarized enhancements to PNC’s corporate card portfolio, including the incorporation of EMV functionality, well in advance of the October 2015 deadline.

ACH

- According to NACHA, 84% of middle market firms have adopted same-day ACH to speed payment processing.
- In addition, companies are using same-day ACH for a variety of purposes, including emergency payment (cited by 95% of companies used same-day ACH), one-time payments (68%) and regularly scheduled payments (58%).
- 80% of firms expect same-day ACH volume to grow at a steady rate over the next 6-9 months.

**Fall 2016 issue:** discussed the launch of same-day ACH in September 2016.

Fraud

- The 2017 AFP Payments Fraud and Control Survey reported that 75% of organizations were victims of payments fraud in 2016, up from 71% in 2015. However, the percentage of organizations reporting commercial card fraud fell from 39% in 2015 to 32% in 2016 (an 18% decrease).

**Fall 2015 issue:** discussed commercial payments fraud, including products and strategies to reduce exposure to payments fraud.
20. “GBTA Traveler Sentiment Index Global Report,” January 2017
22. “Ninety Percent of Surveyed Banks Report Same Day ACH Origination Volume is Higher Than or as Anticipated,” NACHA News Release, February 6, 2017
23. “Corporate Payments Fraud Hits Record Levels,” PYMNTS, April 5, 2017
24. “Number of Companies Reporting Corporate Card Fraud Decreased in 2016,” Business Travel News, April 13, 2017

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