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SAP Concur Solutions Outcome Whitepaper

The New Normal: Setting Organization Expectations Powered by Data

Playing Your Cards Right - Getting the Most from Your Corporate Card and P-Card Programs

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As we inch closer to a post-pandemic world, organizations everywhere are stepping back and reassessing their own financial management - seeking out new ways to save money, improve compliance, and adjust to a radically different business environment.

That quest has led to an amplified interest in integrated corporate card and purchasing card (P-Card) programs - additions that can provide big benefits, including substantial cash rebates. Depending on the card and the types of purchases employees make, these rebates can range from one percent to as high as five percent[1] of annual expenditures. **Card programs are one of the easiest ways for organizations to recoup funds, while gaining more detailed visibility into spend.**

Make Sure Your Program Aligns with Your Purpose

"It would be naïve to talk about the value of corporate credit cards without acknowledging the value of rebates," said Ryan Hamilton, Senior Value Experience Consultant at the SAP Concur Organization. "But, the rebate is table stakes; everybody is going to get a rebate. So, the questions become, how do you expand the value of your corporate card program beyond the rebate, and what benefits can you get on top of that infusion of cash?"

A well-planned, integrated card program enables you to reduce costs, decrease non-compliant spend, improve forecasting, and better monitor cash flow - all while making life easier for your employees and back-office alike.

It just takes a little planning, strategy and finesse to make it happen.

The first step to any initiative is to determine what kind of card program you need - P-Card, corporate card or both, depending on your organization and your motivation for having a card program in the first place.

A **P-Card**, or Purchasing Card, is a line of credit that's used to buy shared assets, supplies, or tools in the organization's name or cost-of-goods-sold office supplies, rather than purchases attributable to an individual employee. P-Cards are typically used at preferred vendors, with the company bearing full responsibility for the charges.

A **corporate card** is a credit card, issued to employees to use for expenses like travel, meals, hotel and, in many cases since 2020, home office supplies. Typically, the employee and company hold joint liability for the card, as it is issued in the employee's name. It can be used at any vendor that accepts the chosen brand of credit card.

Although choosing the right card and card supplier play a role, the most successful card programs focus less on the piece of plastic, and more on the strategy and purpose behind the program itself.

"Start by determining what you want out of your card program. What are your goals? What is important to you? What is it that would make the program a success for your organization?" Hamilton said. "For some clients, it might be spend optimization; so the goal might be to drive adoption to maximize the amount of the rebate. For others, it might be controls and compliance, back-office efficiency, or more accurate spend data."

The key is starting at the finish line and determining what you want to achieve as an organization. Then, determine how to best achieve those goals.

"Once an organization identifies what's important, we'll find some metrics that align with those goals, so they can measure the success of the card program they put in place," Hamilton said.

That's the foundation of a solid card program that delivers real value.

Customize Your Program to User Needs

One of the biggest misconceptions around corporate card programs is that they have to be a "one size fits all" proposition.

"Most major card providers give you the ability to create and curate variations on the theme," explained Oren Geshuri, Specialist Master and Manager at Deloitte. "Everyone might have the same piece of plastic, but within that, you can set up different rules for different groups of people on the card itself."

While a one-size-fits-all program is easier to manage, for many organizations, it makes more sense to customize, even if there are only two or three different distinctions.

"A lot of people will carve out the executives, but it's not just them that deserve white glove treatment," Geshuri said. "Look at other populations who might have a use case for not being the norm. Hold focus groups; get input from the people who will be using the card. Whatever you do, don't create your program in a vacuum."

At the same time, identify what you want to get out of the data you collect.

"Understand what you want to see out of the data you aggregate and review, and don't be afraid to constantly tweak the program as those needs change," Geshuri said. "Put feedback mechanisms in place to stay on top of what card users and other stakeholders are thinking or wanting to see."

MAKE FULL USE OF YOUR DATA

Integrated credit card programs also make it easier to spot trends, track spend against budget, as well as shut down unnecessary spend and fraud. Because everything flows directly from the vendor to the card provider to the SAP Concur platform electronically, without human intervention - or the opportunity for manipulation - it becomes much harder to game the system, as well.

According to a recent Accenture report, the ability to capture, structure, and make better use of data to increase the efficiency and effectiveness of their own department and across the organization is becoming a CFO's greatest area of potential strength.[2]

Being able to quickly access the card spend data up to the minute adds to that muscle, and even optimizes budgetary management.

"It's easier to automate complex accounting decisions, and, with daily card feeds, predict what your cash flow will look like in advance," Hamilton said. "You're also getting more receipts and fewer cases of inaccurate or mistaken coding—so you have a better view and more control over your spend."

The fewer employee errors, and the more receipts, means fewer exceptions—and lower processing costs.

Drive Adoption by Keeping Things Simple

As with any change, moving to or tweaking a corporate card program could be met with some initial user resistance. So, it's important to start communicating with those impacted employees early.

"Focus your messaging around how the card program benefits them - how the expenses automatically flow into the right expense category, so there's less data entry for the employee," Hamilton said. "Also emphasize the fact that in many cases, they won't have to worry about card payments, which will now happen automatically for them."

Although you can't legally force someone to use a corporate credit card, you can do some things to get employees in the habit of using their card for purchases.

"If you're using Concur® Travel for booking, you can actually require users to book travel on their corporate card," Hamilton said. "It's a relatively painless way to drive adoption by changing behavior."

"When you hand someone a corporate card or trust them with a P-Card, you're telling them, 'I am entrusting you with some spend power,' up to the limit of that card. You deputize them as someone who spends money on behalf of the company," Geshuri said. "The vast majority of people will take that responsibility appropriately."

If the card comes with a lengthy manual detailing what they can or can't buy with the card, or requires preapproval prior to every swipe, that sends a mixed message to the employee - and makes back-end reconciliations more complicated and time-consuming. In other words, adding more steps to use the card may negate the program's value, and do nothing to strengthen employee satisfaction.

That said, **it is important to strike a balance between rigid card limit restrictions and free reign. The best solution is to give employees guidelines that empower them to use the card within company policy, without making these guidelines so cumbersome and restrictive that you deter adoption.**

Then, use the visibility provided by an integrated card program to shut down any bad behavior or potential fraud more quickly. Card programs allow for nearly real-time awareness of who has made a purchase along with their location, vendor, and other expense details.

"What scares some CFOs and procurement people and finance leaders about card programs is that they feel like, by removing the barriers to spend for their employees, they will lose control, when actually, the opposite is true," Geshuri said. "You actually gain better oversight into spend activity, and better documentation of purchases and returns."

The need for those office supplies, airline tickets, and hotel rooms still exist, whether a card program is in place or not.

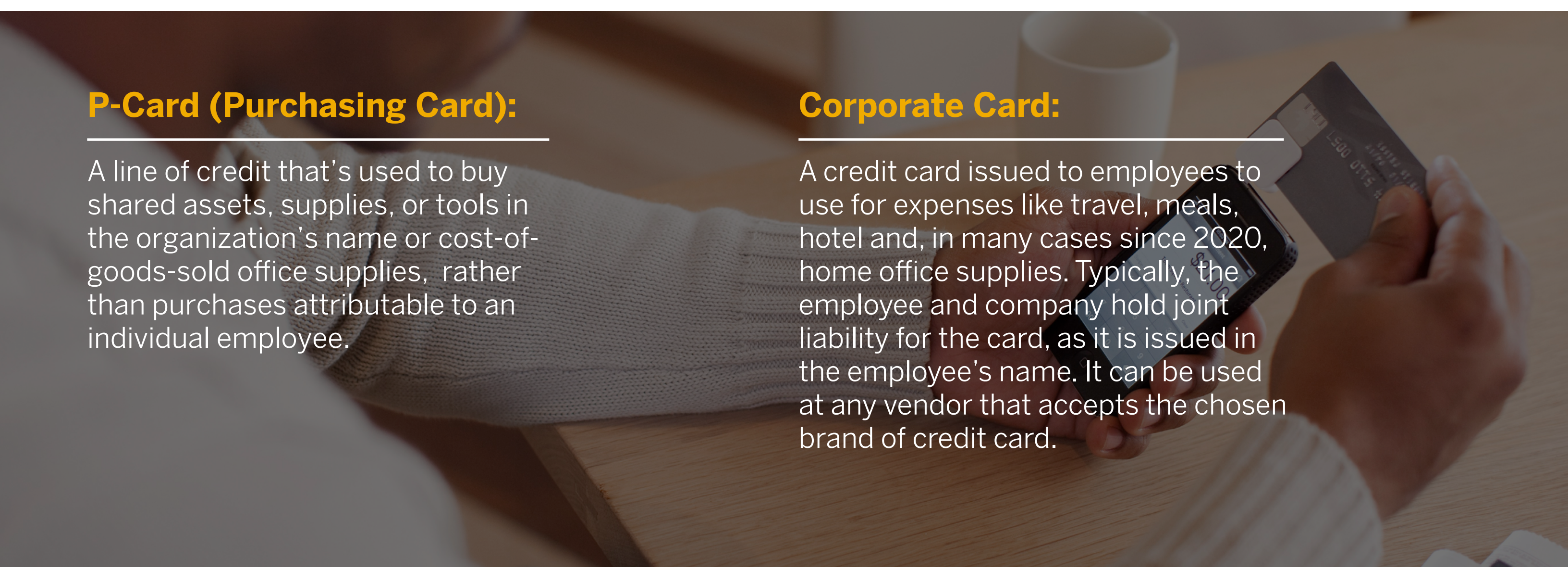
"The money is going to be spent anyway, whether your employees are using a card, or going through the laborious process of opening a PO," Geshuri said. **"They're not spending on things they wouldn't have purchased otherwise. They're purchasing what they need to purchase, regardless of the how that transaction takes place. What changes are the soft costs associated with processing that spend."**

According to the National Association of Purchase Card Professionals (NAPCP), **when payment is switched from a traditional PO process to P-Card, efficiency savings range between fifty-five percent and eighty percent of traditional processing**, with a typical cost reduction of $63 per transaction.[3]

Paper invoice processing costs, in terms of labor, supplies and potential fees are much higher than processing credit card payments, as well. While p-cards are purchasing tools that eliminate invoices, many organizations also now use commercial credit cards to pay for inventory invoices. Buyers using this method will use the card to pay multiple invoices to vendors and then make a single payment to the card provider.

"All told, in soft dollar costs alone, it makes more sense to use a credit card," Geshuri said.

With the right program, everyone benefits.



P-Card (Purchasing Card):

A line of credit that's used to buy shared assets, supplies, or tools in the organization's name or cost-of-goods-sold office supplies, rather than purchases attributable to an individual employee.

Corporate Card:

A credit card issued to employees to use for expenses like travel, meals, hotel and, in many cases since 2020, home office supplies. Typically, the employee and company hold joint liability for the card, as it is issued in the employee's name. It can be used at any vendor that accepts the chosen brand of credit card.

Mitigate Risk, Accounting Inaccuracies and Compliance Issues

When the COVID-19 pandemic reared its ugly head, organizations had to quickly shift to a remote work environment, leaving sales teams charged with building relationships with clients they could no longer see in person. **Although card spend is down across the board, the value of having a card program has actually increased, as the visibility and data accuracy it provides prevents missteps during what we'll always remember as that "unprecedented time."**

"A lot of our customers had salespeople who, when they couldn't do lunch in person, sent them a gift card for Uber Eats or a similar service, so they could still 'buy' them lunch for their Zoom call," Hamilton explained. "That's a great idea, but unfortunately, a gift card in the U.S. is treated as a taxable piece of income. That creates conflict of interest issues if you account for it properly, and income tax issues for both the organization that sent the gift card and the client if you don't."

Although employees were trying to be honest, and list that $25 gift card as a "meal," if that gift card was purchased with a corporate card, with an automated feed, the transaction would effectively correct that error—and save that company some headaches down the road.

"Automated data feeds on card transactions have inherent data accuracy, which means the solution can catch things that employees might not know about, and handle them automatically," Hamilton said. "With a card feed, you know that the money went to Uber Eats or some financial intermediary, and you can take care of what needs to be done to stay in regulatory compliance in an automated fashion, instead of relying on the employee to know exactly how to handle that expense."

Card programs also make it easier for companies taking advantage of tax cuts and incentives to offset the challenges of COVID-19.

"If I buy a monitor, there are three potential ways that COVID tax cuts could affect it, depending on how I categorize that monitor, and how my employee uses it," Hamilton explained. "Knowing that it was purchased from a preferred vendor, in the company's name, so, we can track it as a company asset instead of an employee expense is invaluable. I know that that purchase doesn't count as income, and that I can legally get the monitor back when the employee moves on."

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> Ryan Hamilton, Senior Value Experience Consultant, SAP Concur Organization

Review, Refine, and Optimize

Your card program, and the policy around the use of the card, shouldn't be a one-and-done proposition. A successful program should be iterative - and responsive to market conditions.

"The only way you're going to improve your program and keep it relevant is to evolve it," Geshuri said. "Have a mechanism in place to get regular feedback from your end users. What's working and what's not? What would you like to see improved?"

Talk to your finance team and back-office as well. Are the expense categories you set up initially still working? Do you need to adjust the policy? Are you seeing a rise in "miscellaneous expenses" because users don't know where to categorize home internet, or computer cameras, or speakers?

"Any time you have a credit card, you have Merchant Category Codes (MCCs). If you fold in that data, along with what you're forcing the user to describe in that miscellaneous expense type, you can gain a lot of insight into what the 'miscellaneous' really is," Geshuri said.
"You also should consider training or retraining your users, as they may not have a lot of guidance on how to properly classify things - particularly if they're purchasing something they didn't before."

When in doubt, ask. Find out what they're putting in that miscellaneous category, and look for trends. What may have been a one-off purchase before may now be common. Then, develop a spend category around that.

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> Oren Geshuri, Specialist Master, Deloitte

Playing Your Cards Right

"Companies can have one-use cards issued, and integrate these with their AP system"...**They capture a bigger rebate, and can more easily reconcile things on the back end.**"

Oren Geshuri, Specialist Master, Deloitte

KEEP A CLOSE EYE ON THE FUTURE

As time goes on, corporate cards and P-Cards, and the form they take, will continue to morph and change.

"As things become digitized, I can attach a corporate card to any number of things, or start using a P-Card for regular orders in lieu of a blanket PO," Geshuri said. "The traditional approach to P-Cards always targeted the high-volume, low-dollar purchases—like pens and paper. Now, truly enterprising companies are utilizing cards for high-dollar purchases, too, like utility bills. Why wouldn't I want to automate that, instead of having to do releases and POs every month?"

According to Geshuri, the evolution of the credit card itself has made it more valuable to organizations.

The rise of digital currency and virtual card platforms are changing the way organizations think about card programs, as well.

"There are now tools companies can use to send a credit card to the employee's device - they don't even have to send plastic," Geshuri said. "Because there's no physical card, you reduce the risk of that card getting stolen."

It's easier for the company to issue and track, and easier for the user, as well.

BENEFITS BEYOND A CARD REBATE

As organizations look for ways to improve efficiency, decrease unnecessary spend, and gain better control of cash flow and expense management, many are discovering that well-orchestrated card programs are excellent, and relatively easy ways to meet those objectives.

The key is to approach the program strategically, with clear objectives and value drivers in mind. It's one, seemingly small change that can make a big impact - and bring long-term benefits that extend well beyond the rebate.

For more information on how SAP Concur solutions can support your corporate credit card and P-Card strategy, **visit us online** or **contact your account team**.

Why Deloitte for SAP Concur?

No matter where you are in your transformation journey, Deloitte's worldwide team brings a complete set of capabilities plus industry-specific SAP experience—all to help you quickly deliver results that matter for your business. Learn more at **www.deloitte.com/sap**.

Let's Talk

Find out how Deloitte can help you reimagine everything with SAP Concur and other SAP solutions—so you can rapidly transform the picture for T&E and support the "built to evolve" Kinetic Enterprise. Contact us to schedule a demo, get more insights, or discuss a specific challenge your organization is facing.

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About Deloitte Touche Tohmatsu Limited

ABOUT SAP CONCUR

SAP® Concur® is the world's leading brand for integrated travel, expense, and invoice management solutions, driven by a relentless pursuit to simplify and automate these everyday processes. The highly-rated SAP Concur mobile app guides employees through business trips, charges are directly populated into expense reports, and invoice approvals are automated. By integrating near real-time data and using AI to analyze transactions, businesses can see what they're spending and avoid possible blind spots in the budget. SAP Concur solutions help eliminate yesterday's tedious tasks, make today's work easier, and support businesses to run at their best. Learn more at **concur.com** or the SAP Concur **blog**.

SOURCES:

[1] https://www.forbes.com/advisor/credit-cards/best/business-cash-back/

[2] 2021 Outlook for the AP Automation Industry, Institute of Finance & Management

[3] https://www.napcp.org/page/WhyUsePCards#:~:text=P%2DCards%20also%20benefit%20suppliers&text=Benefits%20include%3A,payments%20and%20improved%20cash%20flow

[4] https://www.iofm.com/ap/process-improvement/accounting/managing-cash-flow-the-importance-of-ap

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