In the current economic environment, companies are looking to reduce the amount their staff spend on business expenses, from travel and entertainment through to other procurement spend. Implementing a commercial card programme represents an opportunity for companies to help to deliver that objective.

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Now that we are truly at a low point in the economic cycle, companies everywhere are looking for ways to cut costs. Travel and entertainment and other procurement expenditure is under particular scrutiny.

Most major corporations are increasingly focused on controlling staff expenditure in this area, with varying degrees of success. Corporate travel managers are employing a variety of measures to achieve savings, including total travel freezes and cutbacks, placing additional controls on travel spending (see box on travel spending survey) and encouraging on staff to think twice before travelling.

How important is it to make that foreign trip? If you have to travel, fly economy instead of business class, take a restricted ticket rather than the more expensive fully flexible option. Hotel and restaurant spending is also under scrutiny. The more exclusive hotels are disappearing from some corporation’s preferred lists, and travel policies are tightening guidelines on the use of restaurants and entertainment in general.

These are the some of the measures being taken by companies within the current environment. The individual savings made may be modest, but totalled up across a multinational, they can be significant.

An important weapon in the armoury of companies intent on controlling expenditure is a commercial card programme. Commercial cards can be viewed in two broad categories: corporate cards are issued to employees for travel, hotels, meals, entertainment and other business expenditures to cover an individual’s needs when out of the office on company business; and the procurement card, for non-strategic purchasing, such as stationery, laptops, IT equipment and other materials.

The suite of commercial card products has truly come into its own during the economic downturn, delivering visibility and efficiency within the expense-management process. For high-profile expenditure categories such as T&E, card programmes offer transparency and an ideal mechanism to exercise changes in travel policy. Before expanding on the benefits, it is useful to define more precisely what a corporate card is.

The product
Citi issues commercial cards to employees of many of its corporate clients for the purpose of T&E or procurement cards. Citi issues these charge cards under either the Visa® or MasterCard® networks. Being a charge card rather than a credit card means that the balance must be paid in full within a specified number of days after the statement period. Payment can be made directly either by the employer or by the employee, who will separately seek reimbursement from the employer.

Benefits to the company
The benefits of a commercial card fall into two main categories: control and process efficiency, both of which save money. The benefits are:

• Corporate spending on cards can be more closely monitored, analysed and controlled. Compliance with spending rules and limits can be assessed, and new rules and limits imposed if necessary.

• The card issuer provides management information on spending patterns, which can be analysed and used by the company to amend spending policies or negotiate discounts with airlines, hotels and other organisations that receive high levels of business from the company.

• Electronic card payment and settlement fully automates the company’s invoicing processes, which is more efficient and cheaper than manual processes.

get with the programme
Commercial card payment data can interface with sophisticated expense-management systems that are more efficient and cheaper than manual or spreadsheet-based methods of claiming expenses.

A small, but useful, side benefit is that the company gets a short period of credit. The time taken from the employee using the card, to the balance being due can be up to two months.

Cardholders using commercial cards for other procurement categories can expect a reduced purchase cycle time with post-transaction monitoring providing the control rather than the onerous purchase-order process.

Acceptance: the key to a flexible policy?
The single biggest advantage of solutions under the Visa® and MasterCard® networks is unrivalled global acceptance. The benefits of high acceptance extend beyond cardholder convenience: transactions processed electronically through to expense-management systems are more efficient, less prone to error and less susceptible to fraud.

Clearly there is a growing requirement among corporates to control expenditure through spend restrictions and changes to policy. Firstly, organisations with consolidated corporate card programmes are better placed to implement travel and expense restrictions and controls, and many use their programmes to monitor compliance and track the success of such measures.

Secondly, corporates are increasingly finding that changes to policy are best supported through a high-acceptance commercial card solution. For example, an organisation may apply a restriction to the evening meal allowance, but the benefits of such a change are undermined if the card is not accepted for the transaction: the employee may need to use their own cash or personal card or to withdraw cash, and the transaction would need to be manually keyed into the system.

Citi is established as a dual issuer, providing commercial card programmes on both the Visa and MasterCard networks. Importantly Citi has invested in a variety of proprietary, global tools that can be used under either network. In this way Citi remain uniquely placed to offer the optimum solution to the client.

Demand is growing
Despite a host of expense restrictions in place at companies across the region, the news is not entirely gloomy for commercial card issuers. The issuance of Citi corporate T&E cards in the EMEA region (Europe, the Middle East and Africa) continues to grow significantly. The spend on each card may decrease with spend restrictions in the current environment, but tellingly the number of cards being issued is increasing as corporations realise the control, efficiency and cost benefits of commercial cards.
Another prevalent factor worthy of comment is that organisations embarking on commercial card programmes increasingly tend to look beyond single countries and apply a unified programme to a group of countries. The more ambitious implement a global programme. Citi’s local language and currency capability in Europe covers 15 countries – soon to be extended to 20. Although the local market may have different practices and processes for payment card transactions, Citi can provide a single experience to the corporate customer. This includes, for instance, providing the cardholder with a common website wherever they are based, and a single telephone call centre in Barcelona, Spain.

In summary, the economic downturn is prompting corporations to restrict spending on travel and other procurement expenses. Those organisations, historically without structured programmes in place, are now looking to commercial cards to help control these costs. Those with established card programmes are using the cards to implement and track spend restrictions. Corporations are also adapting current expense policies and relying upon their programmes to continue to provide high acceptance.

The sensible thing to do, as they say, is to get with the programme! You will reap the benefits now, and will do even more when the economy recovers.

Carried out by Business Travel Coalition and published last October, a survey of nearly 200 corporate travel managers in 17 countries found that 26% had implemented emergency travel cutbacks as a direct result of the financial crisis. What’s more, one third of that number said the cutbacks had taken the form of total travel freezes.

Even among the corporations that had not implemented emergency travel cutbacks, 46% had at least placed additional controls on travel. Of those 200 surveyed, 66 spend more than USD20MM a year on air travel, and 24 more than USD75MM.