

Corporate Card and Expense Management Integration in the Lower Mid-Market

Expense management is a complex category of spending that can easily elude even the most trained enterprise eye. For the typical enterprise, expense management represents a multi-million dollar area that must be controlled; enterprises without the proper visibility and control over this spend fall victim to inflated costs to process expense reports, as well as poor compliance to enterprise travel policies and negotiated contracts. New Aberdeen research has found that enterprises in the lower mid-market sector (revenues between \$50 million and \$250 million) that have leveraged an expense management solution integrated with a corporate card have seen advantages across the scope of expense management performance.

The Expense Management Performance Advantage

Enterprises in the lower mid-market often have to control their spending as part of an organization-wide balancing act between budgeting and driving revenue. Business travel, while a necessary component of achieving enterprise goals, must be monitored and controlled in such a way that it is a value-added organizational aspect. Aberdeen research has discovered that lower mid-market enterprises that have leveraged corporate card / expense management integration have generated superior performance across the entire scope of expense management (Table 1).

Table 1: Performance Comparison

Performance Metric	Corporate Card Integration	No Corporate Card Integration
Cost to process a single expense report	\$4.76	\$14.04
Time to complete an expense report	16.7 minutes	23.9 minutes
Percentage of expense reports submitted w/ errors	1%	9%
Cases of fraud per 1,000 expense reports	0.68 cases	1.91 cases
Compliance to enterprise travel policies	83%	60%

Source: Aberdeen Group, May 2010

Sector Insight

Aberdeen's Sector Insights provide strategic perspective and analysis of primary research results by industry, market segment, or geography

Definitions

For this research derivative, Aberdeen analyzed data culled from the 2009 and 2010 expense management research studies, segregating respondents into two distinct categories: those with corporate card / expense management integration in place, and those without this integration in place.

Aberdeen defines corporate card / expense management integration as the union between the enterprise's automated expense management systems with a corporate card program. Integration streamlines the entire expense management cycle, from travel booking to expense reporting to payment / reimbursement, and provides the company with visibility into expense spending.

Lower mid-market enterprises that are currently leveraging an expense management solution integrated with a corporate card have seen a variety of performance benefits. These enterprises have achieved:

- Nearly 90% lower percentage of expense reports submitted with errors
- 66% lower cost to process a single expense report
- 64% fewer cases of expense fraud
- 30% shorter time to complete an expense report, and;
- 28% higher rate of compliance

Corporate card integration has fueled the expense management programs of lower mid-market enterprises with key capabilities and functionalities; this union has allowed these organizations to easily populate expense reports with information, lowered costs through process automation, and increased compliance to corporate travel policies. It is through the consistent operational efficiencies of these two systems working together that companies have experienced the gains detailed in Table I.

While integration of these two systems has had a positive performance impact, companies have also achieved an uptick in an unquantifiable area: visibility. Aberdeen research has chronicled the use of integration to drive global visibility into expense spending; organizations can leverage the data and information derived from the corporate card and expense management system union to power their sourcing and procurement teams in negotiations with key suppliers.

Reducing Expense Errors and Fraud through Integration

In an age where employee fraud is all-too-common, expenses can be altered through traveler misuse and misappropriation: altering mileage or receipts, traveling via extravagant methods (first class flights, deluxe hotel suites, etc.), and billing for travel that did not occur. Enterprises in the lower mid-market sector have experienced 64% fewer cases of employee expense fraud due to their reliance on automation, corporate cards, and communication / enforcement of enterprise travel policies.

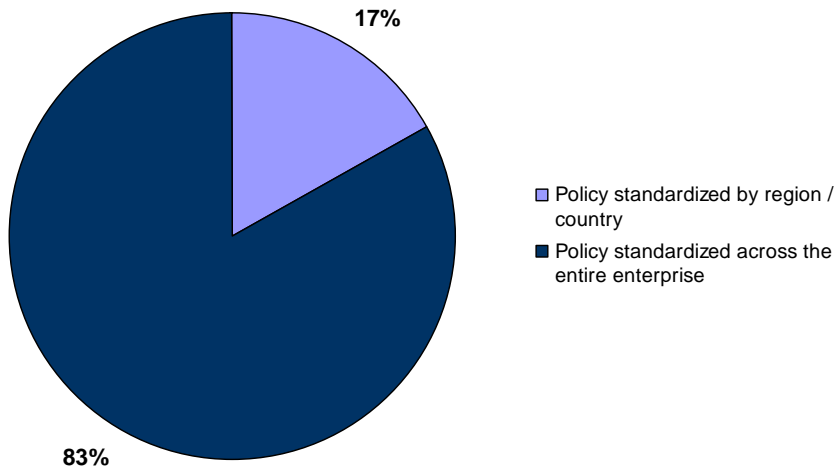
Errors are also an unavoidable aspect of processing, creating and approving expense reports. Manual data entry can cause unwanted errors in expense reporting and shifting the alignment of the key steps in the expense process, causing incorrect reimbursement amounts or routing to the wrong approver. Enterprises in this sector have nearly 90% fewer expense reports submitted with errors. Corporate card integration can pre-populate expense reports with correct travel information, helping to eliminate the risk of manual-prone errors in the expense submission process.

Policy Standardization: The Bridge to Compliance

Much like any other complex category of spend, company expenses must be firmly managed with strict procurement principles. Negotiated contracts

with airlines, hotels and car rental organizations can help drive cost savings and provide visibility into corporate travel spending. Aberdeen research has found that lower mid-market enterprises with corporate card integration, in the quest for high levels of compliance, have effectively standardized travel policies enterprise-wide (83%, Figure 1).

Figure 1: Expense Policy Standardization (Enterprises w/ Corporate Card Integration)



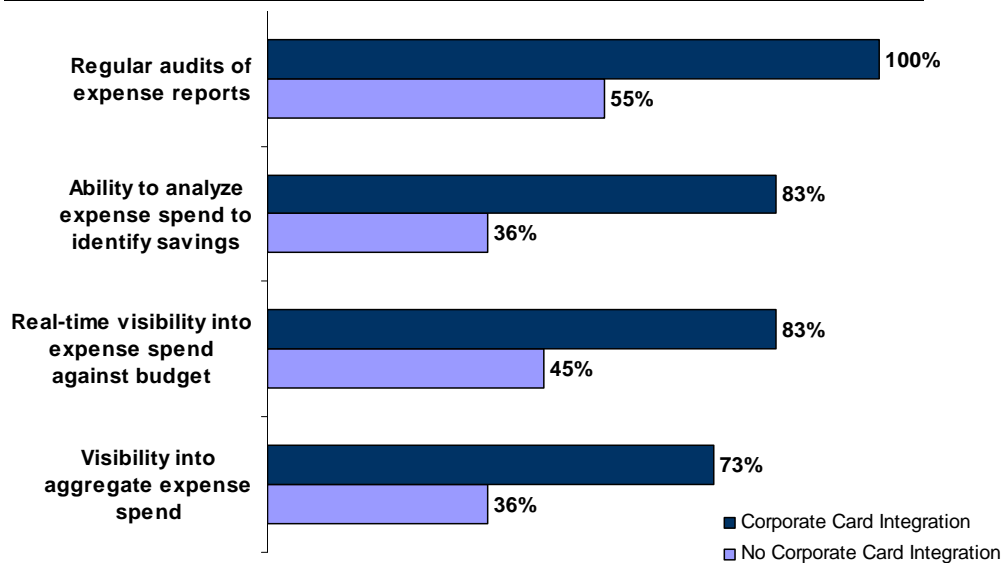
Source: Aberdeen Group, May 2010

In contrast, only 27% of enterprises without corporate card integration have standardized their policies enterprise-wide. This aspect, in addition to the union between the corporate card program and the expense management solution, have helped to elevate the compliance levels of these enterprises to Best-in-Class heights.

Key Expense Management Capabilities

Lower mid-market enterprises have readily leveraged corporate card and expense management integration to enhance their existing expense management programs. However, in addition to this integrated environment, enterprises in this sector have utilized a core set of expense management capabilities (Figure 2).

Figure 2: Core Expense Management Capabilities



Source: Aberdeen Group, May 2010

Lower mid-market enterprises with corporate card / expense management integration in place have been able to leverage a crucial set of core expense management capabilities to enhance their automated programs:

- **Regular audits of expense reports (100%)** are a crucial step in increasing traveler compliance to corporate expense policies. All lower mid-market enterprises with corporate card integration are currently conducting these audits to boost compliance and ensure that corporate travelers are adhering to negotiated contracts.
- The **ability to analyze expense spend to identify savings (83%)** has allowed enterprises with corporate card integration to extract and analyze their expense spend data to pinpoint areas that can be consolidated into a packaged contract. For instance, spend on multiple preferred airlines can be consolidated into a single contract, allowing organizations to leverage a single contract and realizing considerable savings within this area of spend.
- **Real-time visibility into expense spending against budget (83%)** can allow lower mid-market enterprises to track and monitor this crucial category. Lower mid-market enterprises, who spend an average of \$2.5 million every year on expenses, are often faced with more difficult business decisions as to who within the organization is allowed to travel. Real-time visibility against expense budgets enables these organizations to make more educated business decisions in regards to travel approvals and future forecasting items; with both the corporate card and expense management systems working side-by-side, enterprises can have an accurate viewpoint of their spending and can appropriately act on crucial expense or compliance decisions if necessary.

Case in Point

A lower mid-market enterprise based in North America has leveraged the integration between their automated expense management system and corporate card to achieve Best-in-Class results across the scope of expense management performance, effectively gaining an 85% edge in compliance to T&E policies while reducing their expense approval time to two days and expense reimbursement time to an average of four days.

"Our expense-reporting tool and corporate card system has made the entire expense management program more automated, efficient, and less time consuming," said the Director of Finance, who added that their visibility into expense spending has increased since implementation. "For our management team, visibility is important; we need to know exactly how are our dollars are being spent."

The Director of Finance added some insight on the notion of visibility, stating that expense management, especially in the wake of an economic crisis, has become a category of scrutiny; his company has had to reign in spending and figure out additional means of driving savings. With the global visibility achieved from corporate card and expense management integration, the company has been able to provide their procurement team with the necessary information to effectively negotiate with key suppliers and enter into enterprise-friendly agreements.

Required Actions

Organizations in the lower mid-market sector must strategically enhance their expense management programs to spur performance across the scope of compliance, time (approval, reimbursements, etc.), and processing costs. To effectively manage their expenses, it is crucial for companies in this sector to leverage the following recommended actions:

- **Look to corporate card and expense management integration as a means of improving existing expense management processes.** Enterprises that utilize a corporate card / expense management integrated solution have seen gains in not only time and compliance (which are two crucial areas for Best-in-Class expense management performance), but have also been able to drive down expense-processing costs. This integrated program presents the enterprise with the ability to process expenses in an automated fashion while speeding up reimbursement times; it is critical for enterprises to leverage the consistent unification of these two systems working together to drive performance and visibility.
- **Conduct regular audits of expense reports.** Compliance is typically the watershed metric of an expense management program's performance. Lower mid-market companies must look to their own reporting and auditing structure to ensure they pinpoint areas of maverick traveling to avoid millions of dollars in

unnecessary spending on a category that is already a major cost of conducting business.

- **Enhance visibility into expense spend through automation and corporate card / expense management integration.**

Although visibility is a crucial component for larger enterprises, organizations in the lower mid-market are often working with much smaller budgets for business travel. Therefore, visibility into this area of spending is a significant factor in ensuring that travelers are not only adhering to enterprise policies, but also solidifying educated decisions in regards to approving appropriate (and revenue-generating) business travel.

Research Methodology

For each of its distinct research topics, Aberdeen utilizes a web-based questionnaire featuring anywhere from 25 to 40 questions. Aberdeen's research team then analyzes the data culled from the hundreds of responses in conjunction with our unique PACE Methodology and Best-in-Class Maturity Framework to build our custom benchmark reports.

As in the case of this research piece, Aberdeen analysts typically take a cross-cut of the data to build five-to-seven page research derivatives that have historically covered various sectors and industries, key technology solutions, company / revenue sizes, and core enterprise capabilities.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*The State of Expense Management;*](#)
February 2010
[*Travel and Entertainment Expense*](#)
[*Management Automation: Reduce Costs,*](#)
[*Improve Control;*](#) June 2009

[*Commercial Cards: Delivering Savings*](#)
[*Across Procurement and A/P;*](#) November
2008
[*Managing the T&E Lifecycle: Integrating*](#)
[*Processes, Driving Performance;*](#)
September 2008

Author: Christopher Dwyer, Research Analyst, Global Supply Management
(chris.dwyer@aberdeen.com)

Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen plays a key role of putting content in context for the global direct and targeted marketing company. Aberdeen's analytical and independent view of the "customer optimization" process of Harte-Hanks (Information – Opportunity – Insight – Engagement – Interaction) extends the client value and accentuates the strategic role Harte-Hanks brings to the market. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 723-7890, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. 043008a