

The Commercial Card Blueprint:

Digital, Centralised and Globally Compliant



A comprehensive study of commercial card programmes, accounting for **US\$1.8 billion** spend, across **5** industries, **35** markets, **22** currencies and **164,000** cards.

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Executive Summary

Given the ever-evolving corporate landscape, companies are focusing on being digital, centralised and globally compliant.

Globalisation and changing business trends have had a significant impact on the volume of travel and entertainment (T&E) expenses, as well as business-to-business (B2B) payments. Yet, at the same time, economic pressures have forced many companies to focus on trimming costs, releasing trapped liquidity and tightening working capital in order to boost profitability.

Research from consultancy firm Capgemini estimates that global commercial card purchases reached US\$1.8 trillion in 2015, up from US\$1.4 trillion in 2013*. This is indicative of the continuous growth in the industry and is driving a demand for card providers to deliver globally consistent programmes.

However, with so much choice over how, who and what to pay, what should companies look for from their programme and provider?

Citi recently conducted a major survey of its corporate clients in Europe, Middle East and Africa (EMEA) to answer some of these questions. The following study therefore provides a valuable insight into not only the current state of play, but also how commercial card priorities are likely to change and how providers will have to respond.

- Headlines
1. Analytics are a key focus for card programmes. **63% of companies view enhanced data and reporting functionality as their key future priority.**

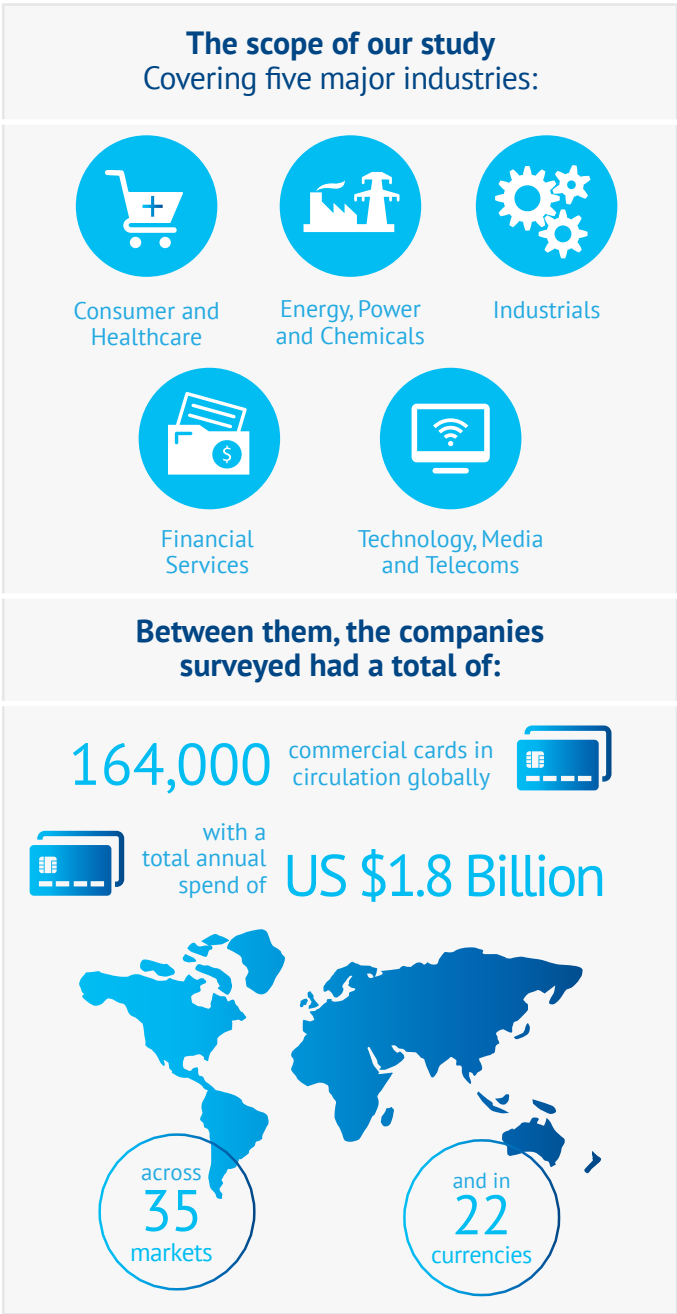
2. With working capital under the greatest scrutiny, **commercial card programmes offer the ability to control spending and improve liquidity** by allowing companies more time to pay – reducing working capital constraints. However, 50% of companies do not currently use metrics to track their programme’s spend against pre-agreed targets or benchmarks.

3. Given the importance of working capital, the Treasury department is stepping in. **76% of companies say their Corporate Treasury team is involved in the commercial card decision-making process.**

4. Integrating commercial card data with a company’s enterprise resource planning (ERP) system can also help compliance and reporting activities. **Over half of companies see better global compliance as a key priority.**

5. There can be no doubt that the commercial card programmes of the future will be truly global and consistent. The survey highlights that large multinational companies, now more than ever, seek a corporate card provider that can promise global card acceptance, global reporting tools and a global proprietary footprint, with **90% of multinational companies which have multiple providers seeking one single provider across all markets.**

*Capgemini report, “The future of commercial cards”, released February 2015



Why is your commercial card programme important?

Commercial card programmes are becoming increasingly sophisticated – while convenience for traveling employees remains important, reporting, financial value and compliance are now key focus areas.

Given that travel and entertainment expenses can account for a significant proportion of a company's budget, it is no surprise that many companies are now shunning paper or spreadsheet based expense management systems for the automation of commercial cards. As Citi's survey shows, most companies therefore put convenience for employees as their top priority.

Besides convenience, companies also welcome the greater control over employee expenses and the relief from handling petty cash which commercial card programmes offer. However, enjoying these advantages day by day has driven many companies to strive for further improvements, especially with respect to compliance, data analytics and reporting.

Key FUTURE priorities for corporates with respect to their commercial card programmes:

- 1 Enhance programme data & reporting
- 2 Better global programme compliance
- 3 Earn rebates & other incentives

Key CURRENT priorities for corporates with respect to their commercial card programmes:

- 1 Improve convenience for current employees
- 2 Greater travel policy & corporate compliance
- 3 Eliminate petty cash & travel advances

“...the watch words for the future are- global compliance.”

Successful programmes will therefore need to capture all expense data automatically, with immediate reconciliation and reporting capabilities, as well as analytics that allow companies to use this data to improve liquidity and working capital and reduce costs.

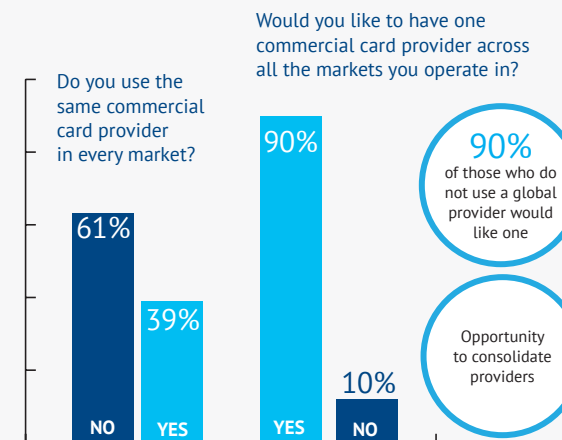
However, the watch words for the future are global compliance. In order to achieve this, companies should mandate employees to use commercial cards, as well as add more digital capabilities and lose any remaining elements of paper. The good news is that all this is already possible today.

How do you choose a provider?

Citi's survey showed that, when companies are choosing a provider, global card acceptance, global reporting tools and a global proprietary footprint is essential.

Interestingly, only 39% of companies surveyed have a global provider. However, 90% of those companies without a single global provider would like to transition to having one commercial card provider across all the markets they operate in – recognising the benefits with respect to operating efficiency and consistency – the opportunity to consolidate and manage corporate expenses in a truly global way is clear.

Consolidation of commercial card providers is top of the agenda



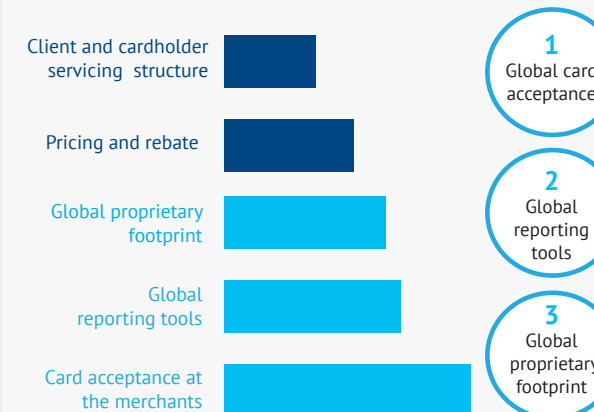
There appears to be a clear understanding that when it comes to card providers, being global matters. When companies were asked their reasons for choosing one commercial card provider over another, the top three responses all centred on geographical footprint.

The strength of a client corporate card provider relationship is based, at its core, on high levels of card acceptance. The rapid globalisation of companies requires card providers to continuously drive the inclusion of more currencies and markets.

Equally important are global reporting tools that are centralised and transparent. Such tools allow companies an almost real-time, high-level view of their global spend, as well as providing the ability to perform granular analysis.

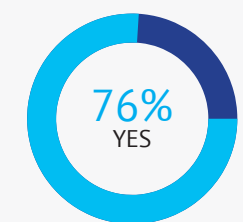
“...when it comes to expense management, being global matters.”

Global acceptance, reporting and footprint are the key requirements of a provider



An increase in Treasury's role in selecting a corporate card provider

Is your Corporate Treasury involved in making decisions regarding the choice of your commercial card provider?



Given these developments, it becomes clear why corporate treasurers are playing a larger role in companies' choice of commercial card provider. Treasurers will naturally have a keen eye on the potential benefits of managing expenses and cashflow globally on companies' liquidity and bottom lines.

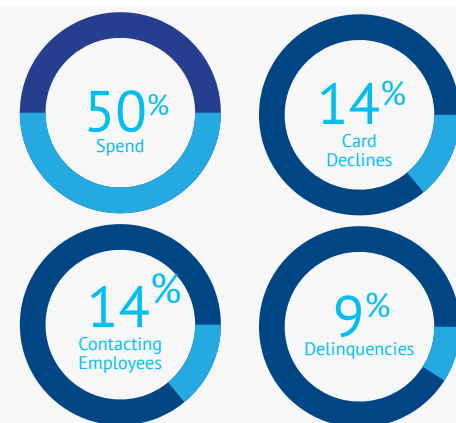
How important is it to track a programme's performance?

Only 50% of companies use specific bench marks and target metrics to track their commercial card programme's performance.

Given the increasing desire to understand spending patterns and drive efficiency, it would make sense that companies would track metrics to help measure their programme's performance. Yet, only half of companies surveyed track spend against pre-agreed targets or bench marks, with even less tracking declines (14%) or delinquencies (9%).

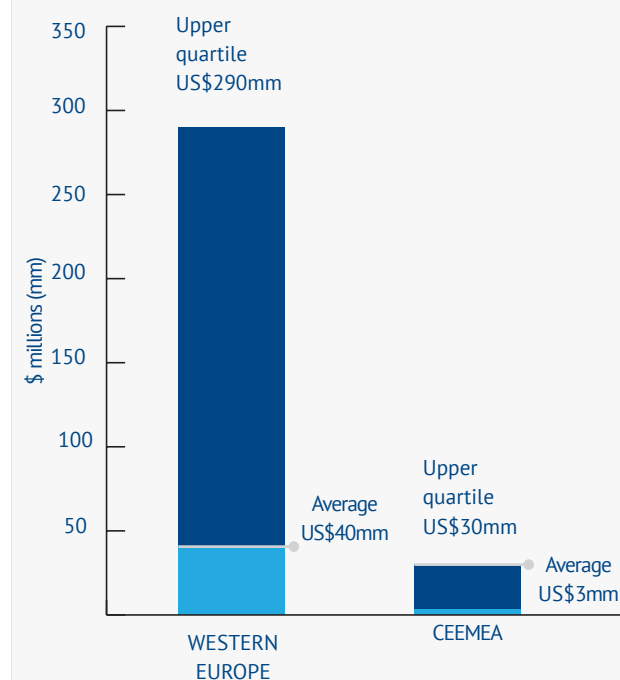
This is an interesting finding given the importance of tracking metrics and managing declines and delinquencies, for compliance and cardholder experience.

Percentage of companies surveyed that track specific metrics



“Given the increasing desire to understand spending patterns...it would make sense that companies would track metrics...”

Spend averages US\$50 million and is focused on Western Europe



The survey showed considerable variation in the amount of spend on different commercial card programmes both between companies and in different geographical regions:

- The average total annual spend of all the companies surveyed was **US\$50 million**.
- The average in Western Europe was **US\$40 million**, compared to **US\$3 million** in Central and Eastern Europe, the Middle East and Africa (CEEMEA).
- The total spread of spend for some companies was far higher, reaching up to **US\$300 million** for some programmes.

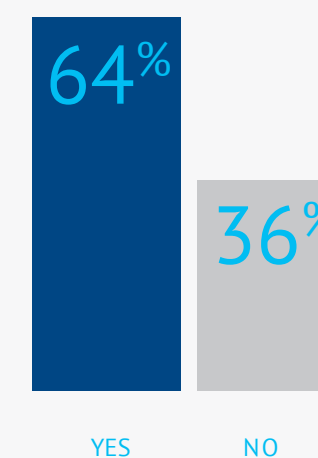
Citi data also shows that cash withdrawals are more prevalent in developing markets, notably Nigeria, Russia and Romania.

That said, most companies are attempting to reduce the levels of cash withdrawals, as it compromises data quality, compliance, reporting and financial value. In fact, it undermines many of the reasons for implementing commercial card programmes in the first place. Progress in developing markets will be dependent on the adoption of card acceptance and how soon cultural attitudes shift regarding cash and other methods of payment.

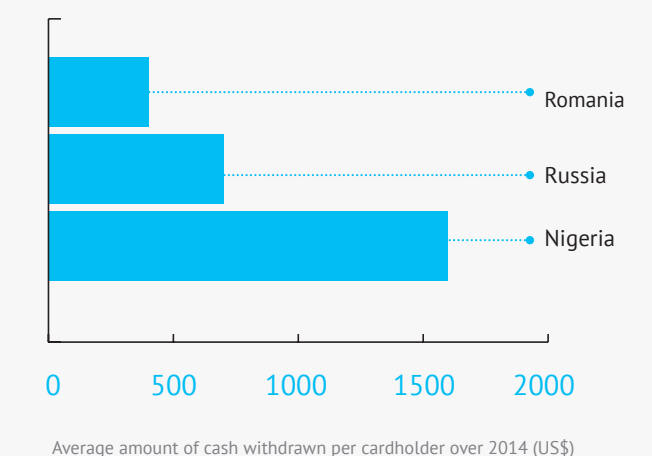
“...most companies are attempting to reduce the levels of cash withdrawals, as it compromises data quality, compliance, reporting and financial value.”

Cash withdrawals tend to be limited to emerging markets

Is out of pocket spend more prevalent in certain countries?



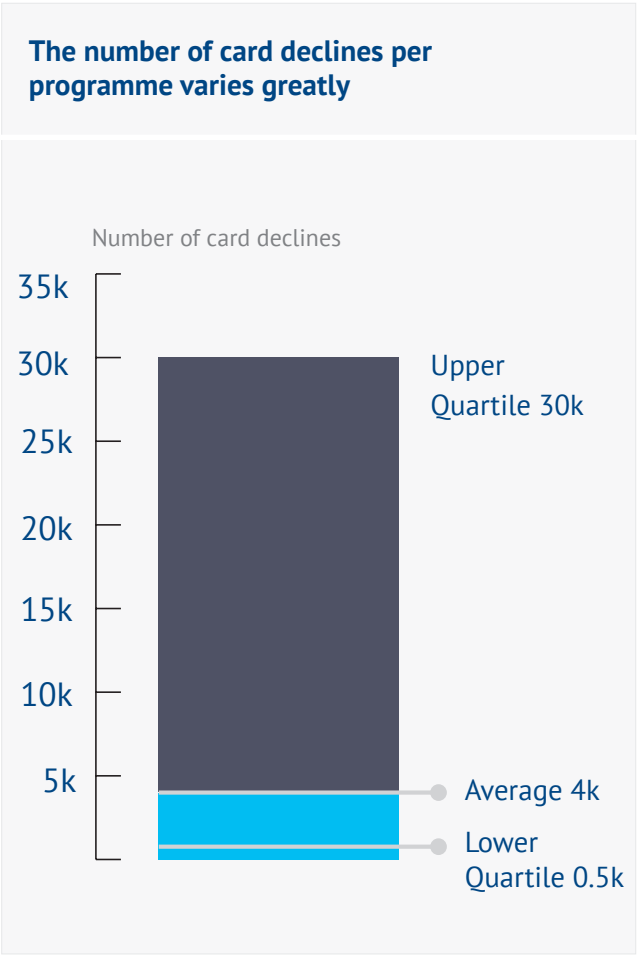
Citi EMEA data shows the top three cash withdrawal markets are:



Average amount of cash withdrawn per cardholder over 2014 (US\$)

Can card declines be avoided?

Card declines are inconvenient and a barrier to complete expense visibility – yet the majority of declines can be avoided with strong compliance and training.



Card declines are a significant hindrance to the effectiveness of commercial card programmes. Not only do they cause cardholder inconvenience and dissatisfaction, they also result in increased use of personal cards and spend not being logged for management information purposes.

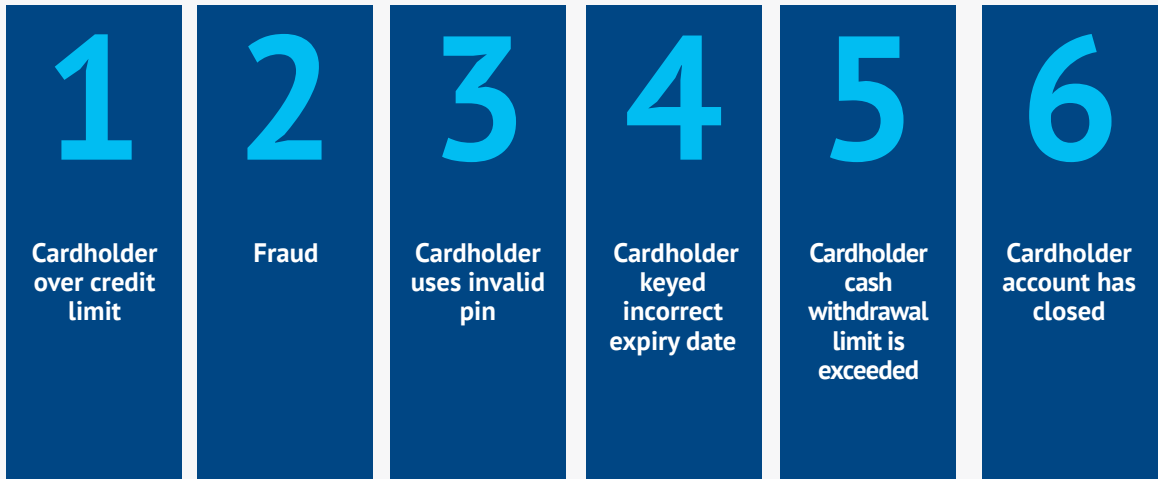
Citi data shows that card declines are most often due to cardholder error – whether this is due to cardholders exceeding their credit limit (the reason for 15% of card declines), exceeding their cash withdrawal limit (8% of declines) or keying the incorrect expiry date (8% of declines).

As such, most declines are within the cardholder or company's control and can therefore be avoided. This highlights the importance of compliant commercial card programmes and targeted training in order that users are aware of elements such as their credit and cash withdrawal limits.

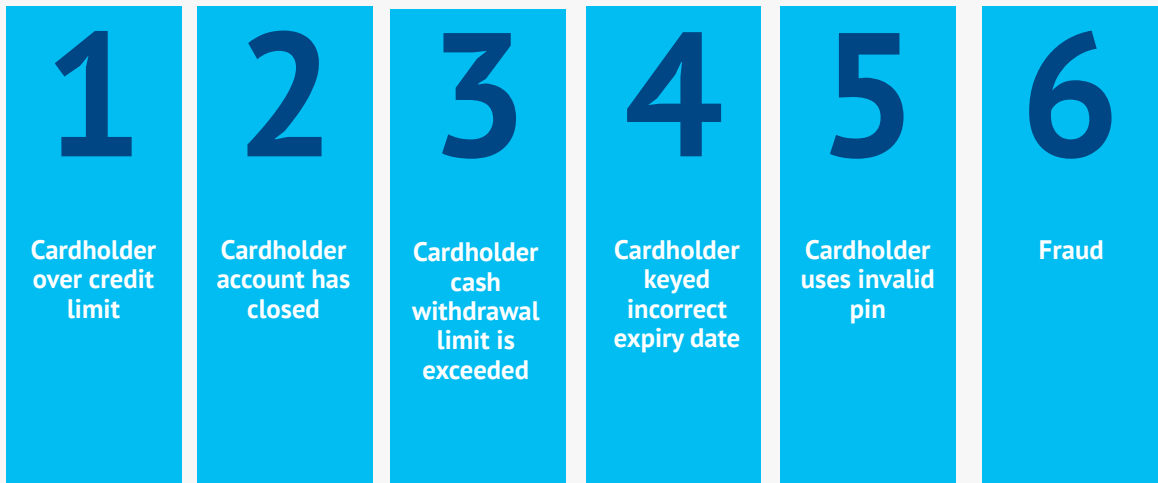
Advances in technology should also help reduce the number of declines. Today, SMS alerts regarding remaining credit can give cardholders advanced notice of when they are approaching their card limit, for instance. While “human error” type card declines may for the time being be reduced by user training and implementation of digital tools, many may eventually fall away entirely through the introduction of innovative and “user-proof” techniques for user identification. Biometric data, which would rule out the need for pin or expiry date entries (and the associated errors) is one example of this.”

“...most declines are within the cardholder or company's control and can therefore be avoided.”

Surveyed companies believe the main reason for card declines are



Actual reasons for card decline as highlighted by Citi data



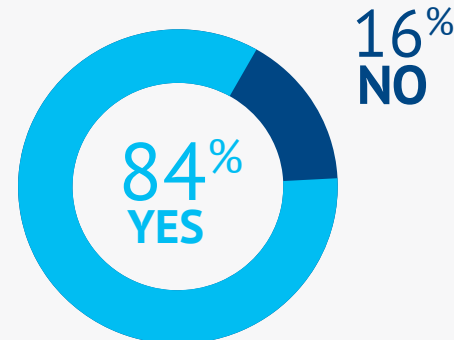
How can you ensure compliance?

Achieving global commercial card compliance is a tough, yet vital, task. It relies on a clear process for mandating the use of cards, followed by employee training.

Given the potential for and impact of employee misuse and fraud, compliance with company commercial card policies is a key area of focus. As such, the majority of the companies surveyed have commercial card policies and procedures in place, criteria for card issuance and mandate employees to use the cards.

84% of companies surveyed mandate employees to use commercial cards

Do you mandate employees to use corporate cards?



Indeed, as many as 84% of companies surveyed mandate employees to use corporate cards.

The risk of not mandating employees to use commercial cards is clear: non-compliance with the company's travel policy, use of personal cards for corporate spend (potentially affecting personal credit ratings) and difficulties in reconciliation.

The overwhelming majority of the companies surveyed ensure that those administering their commercial card programmes receive training on best-practice. Of course, this is an ongoing task and one that companies are expecting commercial card programme providers to help them address with even greater force and focus in the future – with elements such as online training as an effective means of ensuring compliance.

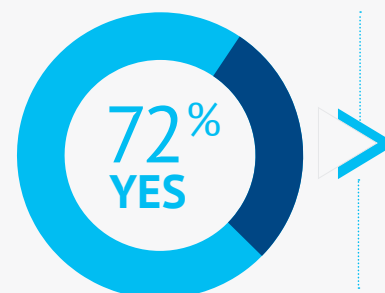
Global commercial card programmes will in future offer ever higher levels of digitisation to capture all information and reporting relating to expenses (both travel and entertainment, as well as business-to-business) paid for on commercial cards.

This will ensure that those managing and negotiating a company's expenses have all they need at their fingertips, centrally and in near real-time – allowing them to oversee all expenses globally, pinpoint discrepancies, breaches of travel and corporate card policies and potential fraud immediately. They will spot opportunities for economies of scale and for negotiating with suppliers for discounts and rebates.

Mandating and digitisation, combined with training, should therefore make global compliance a reality for all.

72% of companies train commercial card programme administrators

Do programme administrators undertake any mandatory training prior to managing the commercial card programme for your organisation?



Citi online academy*
Online training modules
Client training utility

*The Citi Online Academy programme consists of a series of educational and best practice webinars.

What are the next steps for commercial cards?

Commercial card programmes are becoming larger, more global and more complex. Future programmes will therefore need to be easily integrated with other external systems and applications such as companies' ERP systems.

Citi's survey highlights that as commercial cards become an integral part of a company's expense policy, compliance and reporting are becoming more and more important. As such, best practice sees companies implementing a global expense management programme utilising the latest in digital capabilities, as well as ensuring adequate training of relevant staff. This will ensure effective control over all a company's expenditure, particularly for companies seeking to do business globally.

Another strong future trend will be to utilise similar tools and processes to manage B2B expenses incurred by employees to purchase supplies and services. As many of their current processes are still largely paper-based, this can be a major area of inefficiency for many companies. Efficiency gains and cost savings may therefore be realised by migrating these to commercial card programmes.

Companies should look to their commercial card programme to deliver global compliance, enhanced data reporting in order to gain further financial rewards and other types of incentives from their issuers. In addition, we predict that programmes will increasingly be used for purchasing and B2B applications, thus extending the considerable benefits of global commercial card programmes to every aspect of a company's global spend.

“...best practice should see companies implementing a global expense management programme utilising the latest in digital capabilities...”

What will the commercial card programme of the future look like?

1. Globally accepted.

Companies will increasingly want to ensure that every single expense – T&E and B2B – is captured in their management reporting, regardless of where in the world it is made or received.

2. Globally consistent.

It is imperative that companies, and their cardholders, receive a consistent, quality product and service, wherever they do business.

3. Comprehensive expense visibility and compliance.

Companies will need data management systems that can ensure complete visibility of all expenses (T&E and B2B) in order that expense policies are complied with.





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