

A photograph of a city skyline, likely New York City, with several prominent skyscrapers. The buildings are reflected in a body of water in the foreground. The sky is blue with some light clouds. The overall scene is bright and clear.

# Travel & Entertainment Payments What's in it for Treasury – How Travel Managers and Treasury Can Work Better Together

**AIRPLUS.** WHAT TRAVEL PAYMENT IS ALL ABOUT.

In many companies, the decisions to be made concerning Travel & Entertainment payments are becoming more multi-disciplinary, and increasingly a matter of treasury. Hence treasurers are more interested in understanding the background of T&E payment decisions. Travel managers, in turn, are more interested in understanding the work performed and the challenges faced by treasurers, and in learning to “speak treasury”.

This white paper is designed to help both worlds, and subsequently, optimize processes and maximize the benefits enterprises gain from their T&E payments.

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## Executive Summary – 12 top tips for working with treasury

### Learn to “speak treasury”

Understand the work that treasurers do, the challenges that worry them, the vocabulary they use and what they need from a T&E payment solution.

### Remember there are three kinds of treasurer

Treasurers usually originate from one of three different professional backgrounds:

- > Accounting
- > Controlling
- > Banking

Their background is likely to guide their perspective on T&E payments.

### Understand how a T&E payment solution benefits treasury

#### Improved liquidity

- > Extended settlement period helps optimize working capital

#### Improved process efficiency

- > Seamless financial system integration
- > Rapid invoice reconciliation
- > Minimize cash advances
- > Lower payment costs
- > Secure electronic billing
- > Simplified data collection

#### Improved compliance and risk management

- > Prevent employees from over-spending/misspending
- > Monitor employee spend
- > Make T&E payments without plastic cards

#### Improved visibility

- > Understand your T&E spend
- > Track budgets
- > Gain better supplier deals

### Beware of a treasury bias towards core relationship banks

Treasury may not realize that T&E payment solutions vary hugely and the relationship bank’s offering may be sub-standard.

### Warn about the worst-case scenario

Explain to treasury the many ways the business can be compromised by picking a sub-standard T&E payment provider.

### Make the business case

Explain what all relevant stakeholders want from a good T&E payment solution, why you are recommending a particular provider and how it will meet treasury’s needs.

### Be careful about sensitive bank relationships

Treasury’s roles include managing the company’s bank relationships. It needs to know if you are planning to work with a particular bank on T&E. Choosing a non-bank provider is much less likely to upset existing relationships.

### Look at where the biggest savings are

Show how procurement savings and process efficiencies usually produce bigger savings than liquidity gains when it comes to T&E payments.



### Compare the marketplace

Make sure that a range of providers are assessed before making the final selection.

### Buyer beware!

Remind treasury that, like anything else, choosing a T&E payment provider requires category expertise to sort the hype from the reality in what providers offer.

### Think positively!

Treat treasury constructively as an ally, not an obstacle – an ally that can offer specialist expertise.

### Communicate this white paper

This white paper is intended to bridge the gap between travel and treasury. It can help you work together to find the best T&E payment solution.



## Introduction

### Helping treasury and travel work together

Corporate travel & entertainment (T&E) payment solutions create major benefits for many different stakeholders within a corporation, including:

- > Travelers
- > The travel manager
- > Procurement
- > Human resources
- > Finance, especially treasury

Each of these stakeholders has its own set of requirements for a payments solution. At AirPlus International we have noticed that, in particular, travel managers and treasurers do not always understand each other's strategic objectives, and therefore do not understand their mindset when it comes to choosing a T&E payment provider.

#### Treasury's buy-in is important

The aim of this white paper is to bridge the gap. It is written mainly for travel managers, but includes information they can pass on directly to their treasury

colleagues. Why have we written it primarily for travel managers? Because, frankly, T&E payments are much more central to your working life than they are to the treasury department. However, that does not mean you can ignore treasury. There is evidence to suggest two trends:

- > The T&E payment selection process is becoming more multidisciplinary.
- > In particular, treasury is becoming more influential. Treasury's functions include optimizing liquidity, managing banking relationships, reducing risk and maximizing spend visibility, all of which are increasingly important corporate strategic priorities. All these issues also relate to use of T&E payment solutions.

### Why treasury and travel need to understand each other

#### Understand treasury's needs

Treasury has a very specific list of concerns that travel managers may not be familiar with: working capital, currency and interest risk, for example. Travel

managers need to learn to "speak treasury" if they are to avoid treasury obstructing payment selection decisions that have not dealt with these issues.

#### Understand travel's needs

At the same time, travel managers need to educate treasurers about why T&E payments are crucially important to travel and other stakeholders in the company. Treasury may not have realized T&E payments are:

- > a highly specialised solution (in the reporting they provide, for example)
- > very variable in quality.

As a travel manager, you understand your company cannot simply award its T&E payment contract to one of its regular relationship banks, which may be offering a wholly inappropriate service. But treasury may not be aware of this point.

### Treasury and travel have common goals

Another important issue is that the goals of travel management overlap with treasurers' goals much more than treasurers may think. Examples include fraud prevention, risk reduction, compliance and process optimization. Again, if you can communicate to treasury how closely your objectives are aligned, you will be able to work much better together.

So communication closes the gap between travel and treasury, and we hope this white paper will provide the communication that is needed. It includes:

- > A summary of tips on how travel managers and treasurers can work better together
- > What treasury wants and how it views travel
- > How a T&E payment solution benefits treasury
- > The worst-case scenario if the wrong payment solution is chosen
- > A very brief guide for treasurers to benefits for other stakeholders

## How to “Speak Treasury”

### What does the treasury department do?

Traditionally, the general mission of the treasury department is to manage the liquidity of a business. Liquidity means the amount of cash that is available to the organization to meet its immediate and short-term obligations, or any assets that can quickly be converted to meet those obligations.

Put even more simply, treasury’s primary role is to keep as much cash within the business as possible. This is achieved by speeding up the money that comes in and slowing down the money that goes out.

#### But it’s not all about liquidity ...

Treasury has six core functions:

- > Cash management
- > Other liquidity planning and control – how much cash is there in the business, and how is that likely to change?
- > Management of interest, currency and commodity risks
- > Procurement of finance and financial investments
- > Relationships with banks and rating agencies
- > Corporate finance

From this list it is clear that treasurers’ interests extend beyond cashflow issues to wider strategic priorities, including managing risk, improving compliance and maximizing process efficiencies. All of these goals can be met by choosing the right T&E payments provider.

### Three types of treasurer

Although treasurers are likely to deal with all the issues listed above, their priorities are often influenced by their training and working experience. Treasurers generally come from three different backgrounds. Understanding the functional bias of the treasurer you are talking to can make a big difference to which aspects of T&E payments you should emphasize with them.

#### Accounting

Treasurers with an accountancy background are mainly interested in process – issues like efficient systems integration and data quality. Talking their language means talking about, for example, how the payment solution will connect to the company’s ERP system.

#### Controlling

Controllers are interested in compliance, best practice implementation and benchmarking. You can talk to them about how a payment solution helps monitor employee spend and benchmark average costs of different departments.

#### Banking

This type of treasurer is in many ways the most challenging and the hardest to read. Their primary interest is making a return on the company’s cash assets, for example by making short-term investments. However, investments of this kind have become less important in the last few years because interest rates have stayed at historic lows, making returns on short-term investments very limited. While cashflow management has become a lower priority, other strategic goals that stop money leaving the business have become a higher priority because the savings are stable and constant. These objectives include process optimization and negotiated savings with suppliers. Yet again, T&E payments are central to achieving both these goals.



Banking-based treasurers are the least likely to have had previous engagement with T&E. As a result, they may have limited interest in the payment provider selection process. Alternatively, they may feel very strongly about actively managing the company’s banking relationships. This could create a heavy bias towards selecting a core relationship bank as your T&E payment provider without taking the wider picture of T&E payment benefits into consideration.

### Understanding more about treasurers and their relationship to T&E

Qualitative research carried out by AirPlus International has revealed the following profile:

- > Large corporations typically have two to ten core banking relationships, plus relationships with as many as 90 more banks.
- > Treasurers have to manage between anywhere between 200 and 2,000 different accounts – so “visibility” and “simplicity” are key words for improving their working lives.

- > Treasurers rarely touch travel management or even T&E payment issues in their daily business routine. The company’s travel spend is small compared to the total money flows they are responsible for.
- > Treasury and purchasing also have few points of connection.

#### How much influence does treasury have on T&E selection?

This is a very important question but not an easy one to answer with certainty. Most evidence suggests a completely inconsistent picture, ranging from no involvement to being the primary decision-maker, although the latter is rare. More often, treasury is an influence rather than the ultimate decision-maker. Purchasing, travel and human resources remain the chief decision-makers, but that does not mean they can ignore treasury. Treasury could resist or, at the very least, delay the selection process if its requirements and questions are not addressed.

## Case Study: Industrial Manufacturing Company

### A joined-up approach to T&E payments

This company is an industrial manufacturer headquartered in Germany. Choosing a T&E payments provider is a joint initiative between the company's procurement and treasury departments, but procurement is the process owner. In the words of a treasury manager at the company, "we're not the driver but treasury wants to make sure it's consulted."

### Why does treasury want to be consulted?

#### Avoid the worst-case scenario

The worst case for this company's treasury department would be not having a T&E payment solution at all. The absence of a solution could mean in this worst case:

- > More petty cash circulating around the company, damaging visibility and liquidity
- > The treasury department being disrupted by numerous short-term requests to process travel-related invoices outside of standardized processes.

Treasury wants to satisfy itself that the recommended payment solution would avoid these problems.

#### Explain its requirements

Treasury told the procurement process owners that its key requirements when choosing a solution are spend visibility, control over resulting liabilities and process efficiency.

#### Verify liability

Introducing a payment solution means the company is effectively authorising employees to make payments.

Treasury needs to understand the potential liability and the controls in place to prevent misuse of funds.

#### A lower priority – liquidity

Eighty percent of costs at the company are accounted for by raw materials. Travel is a relatively small spend for the company. Therefore, says its head of risk and cash management, the liquidity benefits of the payment solution "have almost no impact on working capital at all. It's nice to have, but it's not a game-changer from a liquidity point of view."

### Finding the right solution for the whole company

The treasury department is content to leave selection of the T&E payment provider to procurement as long as procurement explains the business case satisfactorily. "I don't want to pick the solution but I want to be involved," says the responsible treasury manager. "Procurement has to find the right solution to meet the needs of the business, and then we have to help them find the right terms for the solution they have chosen."

Even though treasury is in charge of the company's overall banking relationships, he is comfortable with procurement recommending other providers if these seem to be the best fit. "Relationship banks have a foot in the door but we will look at all service providers," he says. "If the best product is not provided by one of our core banks, we are still happy to use it. In any case, we find that the big banks are mainly interested in selling their T&E solutions to clients with what they consider the right T&E spend for the effort required, especially at smaller subsidiaries. If the customer doesn't have the critical mass, they may not really be interested."

## How Does a T&E Payment Solution Benefit Treasury?

### Improved liquidity

All T&E payment solutions offer greater liquidity than alternative payment methods, such as petty cash or direct invoicing. However, unless travel accounts for an exceptionally high proportion of the company's costs, small differences in payment terms will have almost no impact on the company's overall working capital.

There are many additional advantages to a T&E payment solution that appeal to a treasury department and, in the long run, are likely to prove more important than the issue of liquidity. These benefits include the following:

**Note:** All the treasury-friendly benefits below are offered by dedicated payment providers. They are not offered by all payment providers.

### Improved process efficiency

**Seamless financial system integration** – Electronic invoicing lets you upload format-friendly information seamlessly into your accounting system. No manual entry is required.

**Rapid invoice reconciliation** – For users of a centrally billed T&E payment account (sometimes known as a lodge card), a single invoice covers all payments by your employees. A reconciliation process that used to take days can now be completed in minutes.

*“Prior to signing with AirPlus, reconciliation and accounting of employee travel took up to a week. Now it takes us 30 minutes to reconcile employee travel information. We get the detail we need, last-minute bookings are easier and we can instantly account for what we spent.”*

– Teo Contreras, Assistant Financial Controller, PGS Americas

**Minimize cash advances** – No treasury department likes cash advances. Now they can be eliminated by employees paying directly through their T&E payment solution or withdrawing cash on their corporate cards while traveling.

**Lower payment costs** – Handling costs are much lower than cheques or wire transfers. Credit is interest-free for the vast majority of travel expenses.

**Secure electronic billing** – Billing is delivered in the customer's desired format, e.g. EDIFACT, XML, CSV, LARS.

**Simplify T&E data collection** – One special feature offered by AirPlus is that its reporting tool, AirPlus Information Manager, can act as a T&E data warehouse, consolidating data from other service providers (such as travel management companies) and even from other payment providers.



### Improved compliance and risk management

T&E payment solutions mitigate a wide range of operational, financial and reputational risks.

Prevent employees from over-spending/spending outside policy – You can limit how much employees are allowed to spend through monthly limits and individual transaction limits. You can also control who they are allowed to pay by setting limits on which types of merchant (e.g. hotels and restaurants only) may accept the card.

**Monitor employee spend** – Comprehensive reports allow your company to keep a close eye on how much employees are spending. With some payment providers you can also create alerts to warn you of questionable spending behavior, e.g. cardholders approaching their monthly spending limit.

Make T&E payments without plastic cards – Companies don't like giving plastic corporate cards to everyone who works for them, e.g. contractors, interns or new employees. Products like lodge cards and virtual cards allow closely controlled payments for T&E without having to issue any plastic.

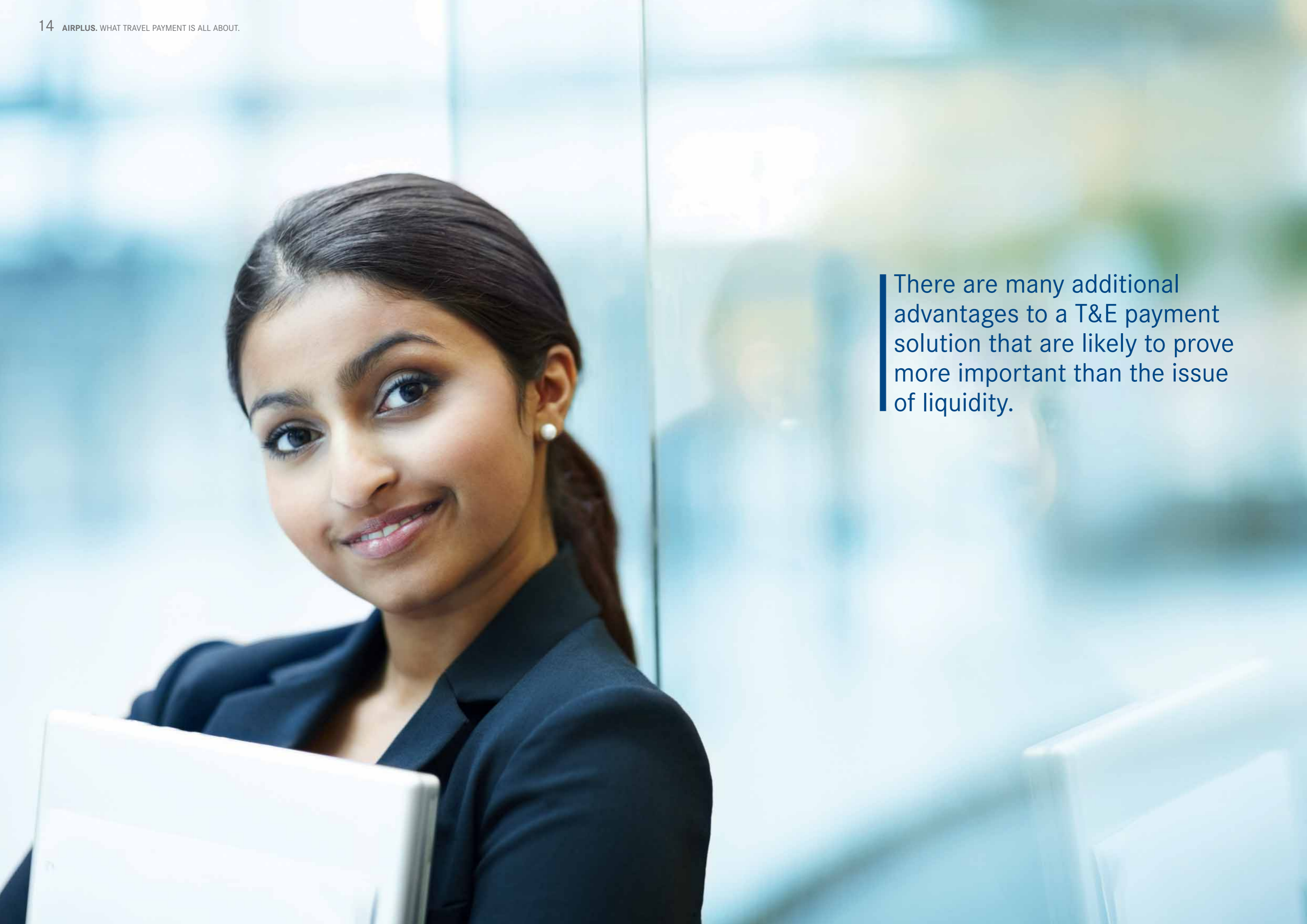
### Improved visibility

**Understand your T&E spend better** – By channelling all T&E payments through one process globally – a process with excellent, precise reporting – you can fully understand how much T&E is costing your company, and when you need to pay.

**Track budgets** – Some payment solutions allow the addition of up to nine separate fields of employee data at time of payment. That allows you to easily break down spend by employee, client, project or department. And so can your budget-holders. Daily transaction feeds into your expense reporting system ensure fast visibility of total spend.

*“AirPlus is excellent for budgeting. Knowing how much we are paying out monthly helps our finance team allocate cash for the rest of the year.”*  
– Alere

**Gain better supplier deals** – Time and again, travel buyers report that detailed information about how much employees are spending, and with which suppliers, makes the difference when negotiating corporate discounts. However, it is important to note that the quality and detail of management information offered by different T&E payment providers varies enormously. Do not assume they all provide a high standard of reporting.



There are many additional advantages to a T&E payment solution that are likely to prove more important than the issue of liquidity.



## The Worst-Case Scenario: What happens if your company chooses the wrong T&E payment provider?

When selecting a T&E payment provider, treasurers may favour a bank with which the company already has a strong relationship. This can happen if they do not understand:

- a) how strategically important the choice of provider is to other stakeholders
- b) that what a relationship bank offers may simply not be good enough. The quality of different payment providers' products and service is highly variable.

If a company chooses a poor-quality T&E solution, the worst-case scenario means it loses in many ways, including:

### Spending more money than you need:

- > Failure to detect employee misspending or fraud
- > Failure to gather best-quality data to make the difference in supplier negotiations

### Spending more time than you need:

- > Failure to integrate efficiently with accounting systems
- > Inability to reconcile payments automatically instead of manually
- > Failure to automatically pre-populate expense reports such as SAP, Concur and KDS.

### Poor visibility

- > Failure to gain an accurate overview of total T&E spend and when it needs to be paid
- > Failure to track budgets and reallocate spend to budget-holders

### The risks of using your normal treasury relationship bank

T&E payments are a highly specialized sector. Almost all banks offer a T&E payments solution, but very simply, some are good and some are not. Many are half-hearted "me too" offerings with little substance

and even less service back-up. Data quality in particular varies enormously.

Yet there are several reasons why treasury may wish to use one of its relationship banks as the company's T&E payments provider.

### Wallet-sizing

Wallet-sizing is the total value of financial services a company buys from a bank. Treasury may feel it can improve its status with a relationship bank by offering it the T&E payments contract too.

### The alternative view:

T&E is a very small slice of the total financial services cake. It will not make much difference from treasury's point of view if that spend is moved elsewhere, especially if it is to a non-banking payment provider.

### Less workload

For treasury, a larger number of financial services partners makes them fear more workload, more complexity and less efficiency.

### The alternative view:

This is an understandable perception, but it is often inaccurate. If an existing bank partner provides poor, heavily manual processes, requiring more reconciliation, for example, the workload will grow, not diminish.

### The devil you know

This is the simplest but also most powerful reason for not looking elsewhere. Treasurers are very busy professionals, lacking time to master the complexities of T&E payments and learn more about its specialist providers.

### The alternative view:

This view is also completely understandable, but it can lead to bad choices. Remind treasury gently that the travel management and procurement depart-

ments possess much of the specialist knowledge needed for this task.

### How can I help treasury make the right choices?

#### Warn treasury about the worst-case scenario

If treasury has the power to appoint (or veto) a T&E payments provider, point out the many ways the company would lose if a poor choice is made (see above).

#### Make the business case/address the needs of treasury

Above all, treasury needs to be reassured that the provider you have recommended will meet its needs. Consulting treasury about its requirements fully and early can save much trouble later on. Explain the business case for deploying a payment solution and present your recommended options. If the business case is sound, and you explain how it will meet treasury's needs, treasury is unlikely to stand in your way.

#### Be careful about which banks you choose ...

Remember that treasury is in charge of your company's banking relationships. It needs to know in advance if you propose to give business to a particular bank because it could raise red flags for them. For example, treasury may feel sensitive about awarding business to a rival of one of your major relationship banks. There may even be good reasons for wishing not to give more business to a bank with which you already have a relationship. Again, communication is key.

#### ... or choose a non-bank T&E payment provider

Choosing a non-bank payment provider is a safe choice with treasurers in that it does not affect the balance of the company's existing banking relationships.

#### Keep the T&E payments question in proportion

Treasury has a genuine interest in T&E decisions, but it is not a make-or-break decision for them in the same way as other kinds of banking relationships, such as investment. Therefore, if you can make a good case, it should be possible to persuade treasury to back appointment of the best-in-class candidate.

#### Look at where the biggest savings are

Although holding on to cash is very important for a company, there are other ways to save money that are not impeded by low interest rates. Choosing the T&E payment provider that optimizes processes, compliance and contracts with suppliers could prove the biggest money saver.

#### Compare the marketplace

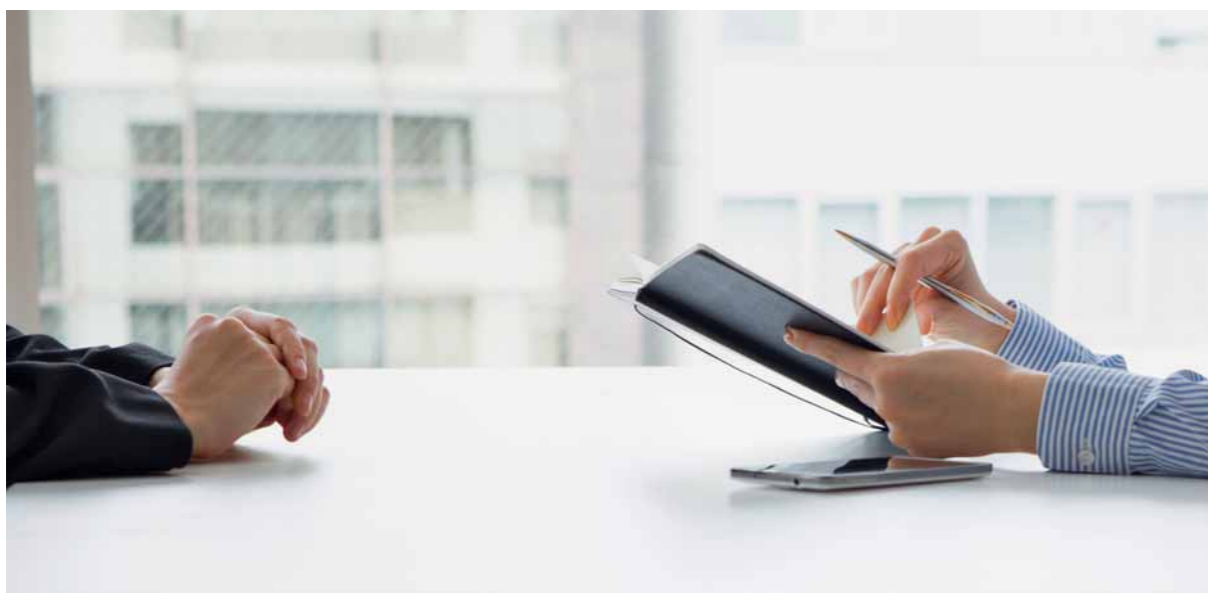
Explain all the needs of the business when it comes to T&E payments. That's why it is very important to compare several different providers. If the relationship bank is treasury's preferred candidate, benchmark it against what others can offer.

#### Buyer beware

Sourcing a T&E payment provider requires some market expertise. For example, treasurers may be unaware that a bank claiming in its marketing materials to offer a multinational service is in reality working with many other banking partners. Such partnerships are often highly inefficient, especially in generating consolidated data.

#### Think positively!

Treat treasury as your ally, not an obstacle to success. If you start with a negative attitude, you are more likely to have problems. Not only will treasury cooperate if you take a consultative approach, it can help you validate your business case and also help with technical issues such as framing the financial terms of the contract with the provider.



## How Other Stakeholders in Your Company Benefit from T&E Payment Solution

### One solution – many winners

This paper has mainly explained how treasurers benefit from T&E payments. But it is also important to help treasurers understand how a payment solution meets the needs of other stakeholders. Each stakeholder benefits in different ways, creating a comprehensive matrix of requirements when selecting the right solution provider.

Some of these benefits will already be apparent to treasurers. For example, they take business trips themselves, so they will understand how travelers gain from a payment solution. However, other stakeholder needs may be less obvious.

Examples of other stakeholders include:

#### Travelers

- > Convenient way to pay for all T&E expenses without having to use private funds
- > Significantly shortens time for expense processing if solution provider can automatically upload transaction data to online expense reports
- > Avoids bureaucracy when applying for cash advances
- > Avoids security risk of carrying significant amounts of cash

#### Travel manager/procurement manager

- > Detailed spend data enhances ability to negotiate improved supplier deals
- > Data also allows tracking of contracted spend by monitoring progress towards volume targets for supplier deals
- > Data reduces costs through improved monitoring of compliance with travel policy
- > Ability to control traveler spend more directly through limiting spend categories on card
- > Data allows managers to compare spend by different departments and advise on smarter booking behavior

#### Human resources

- > Easy payment method improves company's relationship with traveling employees
- > Avoids damaging employees' credit ratings if they had to pay with personal cards instead
- > Encourages employees to spend compliantly when traveling because they know their payments can easily be audited
- > Helps travelers in emergencies by giving them increased spending power on card if they need it

Use of virtual cards ensures that entire workforce travel (e.g. interns, contractors) can be paid for without having to issue plastic corporate cards

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