

# Philadelphia AFP March Madness Meeting: Ins and Outs of Corporate Cards

March 2019

Brian Thomason, JoEllyn Powell, and Dana Hwu

---

---

Chase, J.P. Morgan, and JPMorgan Chase are marketing names for certain businesses of JPMorgan Chase & Co. and its subsidiaries worldwide (collectively, “We”, “Our” or “Us”, as the context may require).

We prepared this document and associated presentation materials for your sole and exclusive benefit. These materials must be used for discussion purposes only, and are incomplete without a related briefing provided by our representatives. While we are providing the materials and briefing, we are not making a commitment to provide any product or service at this point. This information is confidential and proprietary to our firm and may only be used by you to evaluate the products and services described here. You may not copy, publish, disclose or use this information, in whole or in part, for any other purpose unless you receive our express authorization.

In preparing the information, we have relied upon, without independently verifying, the accuracy and completeness of publicly available information or information that you have provided to us. Our opinions, analyses and estimates included here reflect prevailing conditions and our views as of this date. These factors could change, and you should consider this information to be indicative, preliminary and for illustrative purposes only.

The information is not intended and shall not be deemed to contain advice on legal, tax, investment, accounting, regulatory, technology or other matters. You should always consult your own financial, legal, tax, accounting, compliance, treasury, technology, information system or similar advisors before entering into any agreement for our products or services.

This Information is provided as general market and/or economic commentary. The information is not J.P. Morgan research and should not be treated as such. In addition, the information does not constitute advice or a recommendation regarding the issuance of municipal securities or the use of any municipal financial products or, the advisability of acquiring, holding disposing of, exchanging or otherwise taking action regarding, or as to the management of, securities or other investment property. We are not providing any such advice. We are not acting as your agent, fiduciary or advisor, including, without limitation, as a Municipal Advisor under Section 15B of the Securities and Exchange Act of 1934, as amended or under, or with respect to assets subject to, the Employee Retirement Income Security Act of 1974, as amended.

The information does not include all applicable terms or issues and is not intended as an offer or solicitation for the purchase or sale of any product or service. Our products and services are subject to applicable laws and regulations, as well as our service terms and policies. Not all products and services are available in all geographic areas or to all customers. In addition, eligibility for particular products and services is subject to satisfaction of applicable legal, tax, risk, credit and other due diligence, JPMC’s “know your customer,” anti-money laundering, anti-terrorism and other policies and procedures.

Products and services may be provided by Commercial Banking affiliates, securities affiliates or other JPMC affiliates or entities. In particular, securities brokerage services other than those that can be provided by Commercial Banking affiliates will be provided by appropriate registered broker/dealer affiliates, including J.P. Morgan Securities LLC and J.P. Morgan Institutional Investments Inc. Any securities provided or otherwise administered by such brokerage services are not deposits or other obligations of, and are not guaranteed by, any Commercial Banking affiliate and are not insured by the Federal Deposit Insurance Corporation.

All trademarks, trade names and service marks appearing in the information are the property of their respective registered owners.

© 2019 JPMorgan Chase & Co. All rights reserved.

## Speakers

**JoEllyn Powell**  
MBA, CTP,  
Executive Director,  
J.P. Morgan Chase  
Bank



JoEllyn is an Executive Director in Treasury Management Sales at JP Morgan Chase Bank working with higher education and nonprofits in the Mid-Atlantic region. As a Treasury Management Officer, JoEllyn helps her clients manage their cash flow. She has worked in many areas of banking on the commercial side for most of the major banks in the Philadelphia Market for many years, spending the majority of her career in both Treasury Management and Commercial Real Estate Lending.

She is a graduate of Seton Hall University with a BS in management with a concentration in organizational behavior; she earned an MBA from LaSalle University in Organizational Behavior and she is a Certified Treasury Professional with the Association of Financial Professionals.

JoEllyn serves on the Board of the Alice Paul Institute, as well as volunteering with their Finance Committee, and Career Day program.

**Brian Thomason**  
MBA, CPA,  
Executive Director,  
J.P. Morgan Chase  
Bank



Brian Thomason is an Industry Solutions Specialist at J.P. Morgan working in Treasury Services. He works with higher education industry leaders to understand and address the strategic treasury concerns of these organizations. His areas of expertise include cash management, mobile payments, international cash management, operations efficiency, and strategic planning and budgeting.

Brian has 20 years of experience in the higher education and nonprofit industry. Prior to joining J.P. Morgan in 2018, Brian began his career at Pepperdine University, focusing on FP&A. From 2000 to 2004 he worked for Abilene Christian University, again in FP&A, and was a key member of the University's ERP implementation team. After returning to Pepperdine in 2004, he helped to lead another ERP implementation. He was named University Controller in 2007 and Associate Vice President in 2011. During his time at Pepperdine, Brian focused on modernizing the University's international operations, tax compliance, and on increasing operational efficiencies to redeploy resources to the academic areas of the University.

**Dana Hwu**  
Associate,  
J.P. Morgan Chase  
Bank



Dana Hwu is an Associate on the Healthcare, Higher Education, and Nonprofit Industry Solutions team as part of Commercial Banking's Middle Market Banking and Specialized Industries business. Dana is responsible for supporting the Industry Solutions Specialists on strategic treasury engagements for clients nationwide, utilizing extensive treasury experience, deep industry knowledge, and a consulting methodology to solve key treasury challenges and incorporate a value-driven approach.

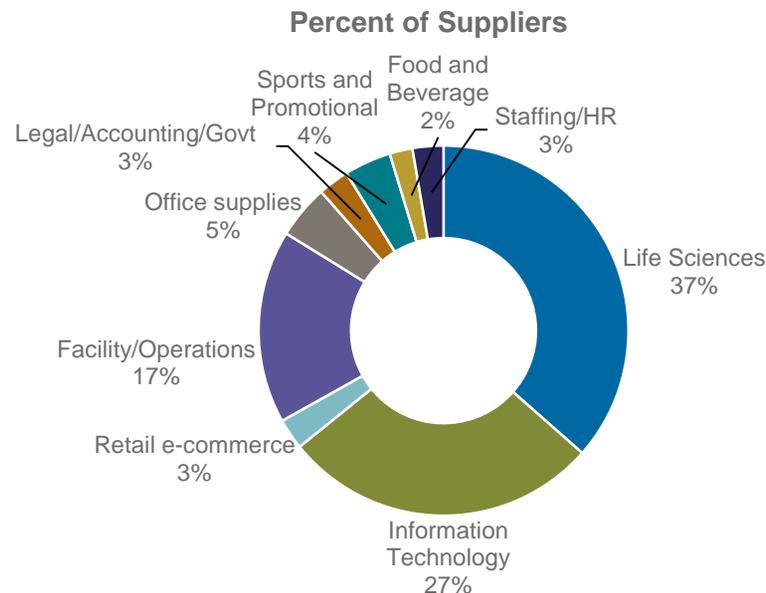
Through partnerships with coverage teams, the Industry Solutions team works to demonstrate the ways in which the firm's treasury platform can solve problems, address key efficiency opportunities, integrate best practices, and optimize treasury operations to meet the highly customized and unique needs of clients engaged in healthcare, higher education, and nonprofit financial operations.

## Card acceptance within Higher Education’s world of suppliers

J.P. Morgan identified the top 150 non-T&E, non-regional suppliers by commercial card spend in the higher education vertical and organized them into the following nine unique industry categories.

### Top 150 Supplier Categories

Supplier Industry	Percent of Suppliers	Percent of Spend
Life Sciences	36.5%	33.5%
Information Technology	27.7%	30.7%
Retail e-commerce	2.7%	13.2%
Facility/Operations	16.9%	10.7%
Office supplies	4.7%	4.0%
Legal/Accounting/Gov’t	2.7%	2.9%
Sports and Promotional	4.1%	2.8%
Food and Beverage	2.0%	1.3%
Staffing/HR	2.7%	1.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>



### Strategies for Capturing Spend

- Diversify *how* you deliver a card payment.
  - High count, low spend suppliers want a more **automated** receivables process (payment by web or email)
  - Low count, high spend suppliers may require payment by phone in order to process the payment **manually** and/or discuss the terms of acceptance (“pay you now with a card, pay you later with a check”)
- Diversify *when* you deliver a card payment.
  - Paying at the **time of invoice approval**: offer accelerated payment for card acceptance and decelerated payment if the supplier requests another form of payment
  - Paying at the **time of the order**: supplier is paid immediately to help offset the cost of accepting card payment

**Future Growth:** B2B e-commerce is the fastest growing category of commercial card spend as it **automates** a supplier’s A/R and allows for payment at the **time of the order**.

## Utilizing industry best practices

---



### Considerations

- Determine benchmarks and success metrics (reduction in POs and checks, cycle time gains, etc.)
- Link card program goals to broader company objectives and initiatives
- Establish a cross-functional stakeholder team to gain alignment and traction
- Regularly review and update the expense policy, as needed

### Benefits

- Negotiate deeper discounts, improve supplier relationships, and automate manual tasks & functions
- Keep program benefits top of mind across organization to promote usage, secure buy-in, and expand participation
- Identify opportunities to leverage purchasing card data across the organization – with A/P, Procurement/Purchasing, Finance, HR, etc.
- Ensure policy meets the needs and goals of the organization

## Improving the control environment

---



### Considerations

- Assign a program owner with the resources, support, and autonomy to drive performance
- Employ a strong, clear expense policy with card controls (MCC code restrictions, spend limits and thresholds, etc.)

### Benefits

- Ensure all transactions are reviewed and reconciled to minimize fraud
- An ongoing audit strategy aligned with organizational policies / risk tolerance will provide greater visibility to spend and increase detection of misuse

## Expense management platform tactics

---

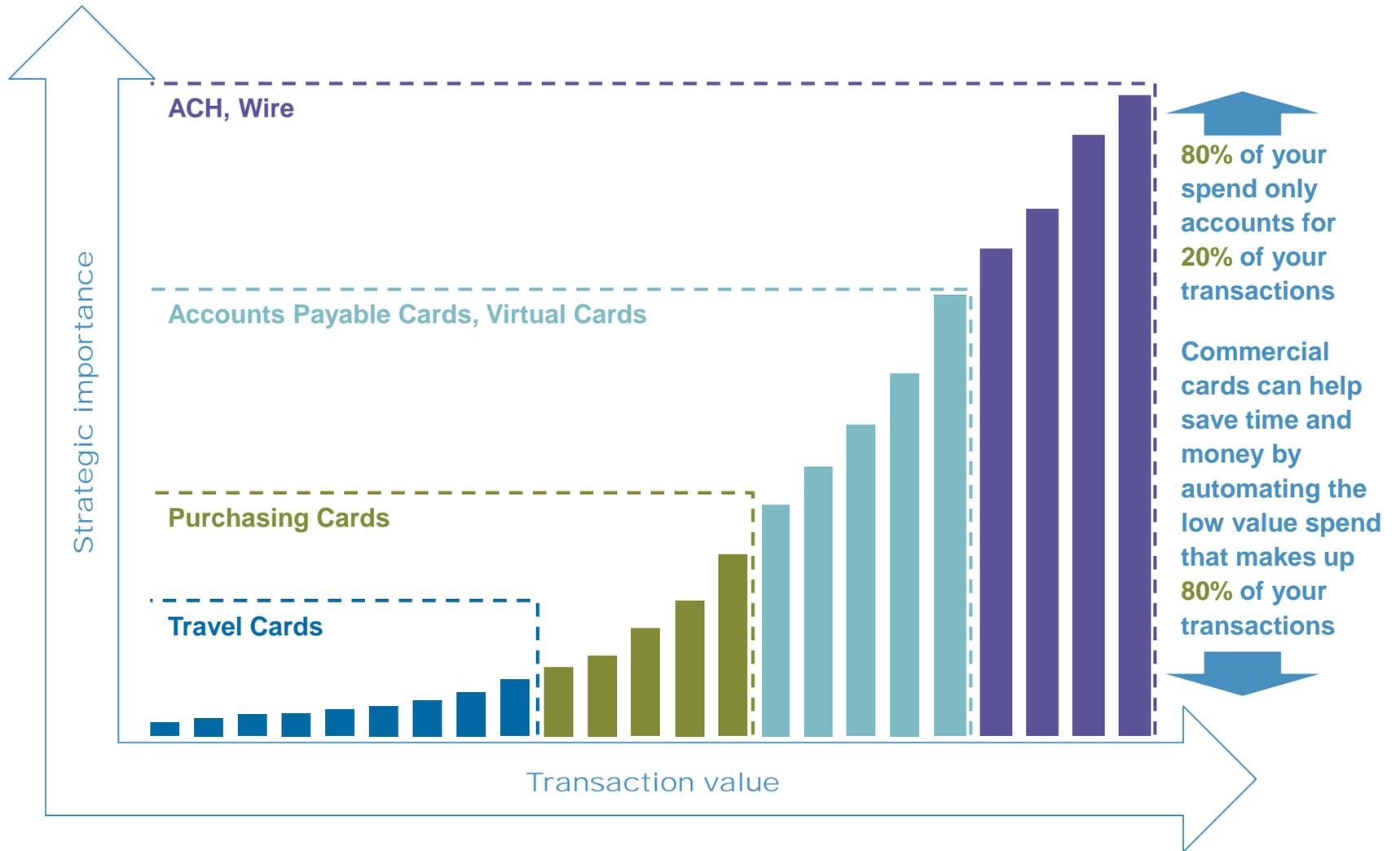
### Demand Management

- Reduce the number of expense reports submitted through **consolidated expense submissions**
  - Ensure guidelines are in place to consolidate as many expenses as practical (during a given time period) to a single expense report
- **Minimize number of customized** (billable) reports from the expense management platform
- Build policy around the **automated capabilities** of the platform to manage the manual work of the facilitator and ensure more automated **compliance** with the policy – food limits, approvals, etc.

### Cost Reduction

- Evaluate any offered online travel booking tools from the company that could **drive integration/efficiency** for expense report processing or offer greater **negotiating power** with vendor
- Consider minimum **volume commitments** in the contract; this commitment could help reduce the price per PO or price per expense report processed
- Contract duration - consider multi-year **extensions** if possible
- Expense reporting approvals: drive efficiencies / savings through expense **approval hierarchy** and work flow simplification

# Focusing card on where it makes the most dollars and sense: the supplier tail



Source: Unlocking the Value of Tail Spend, Supply Chain Management Review March/April 2014

# Agenda

---

	Page
<b>1 Virtual Cards</b>	<b>7</b>
2 Purchasing Cards	12
3 Corporate Cards	18
4 Conclusion	23
5 Appendix	25

## Capitalizing on industry trends

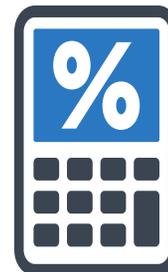
---



**CONTINUED DECLINE OF CHECKS**



**INCREASED AWARENESS OF BENEFITS**



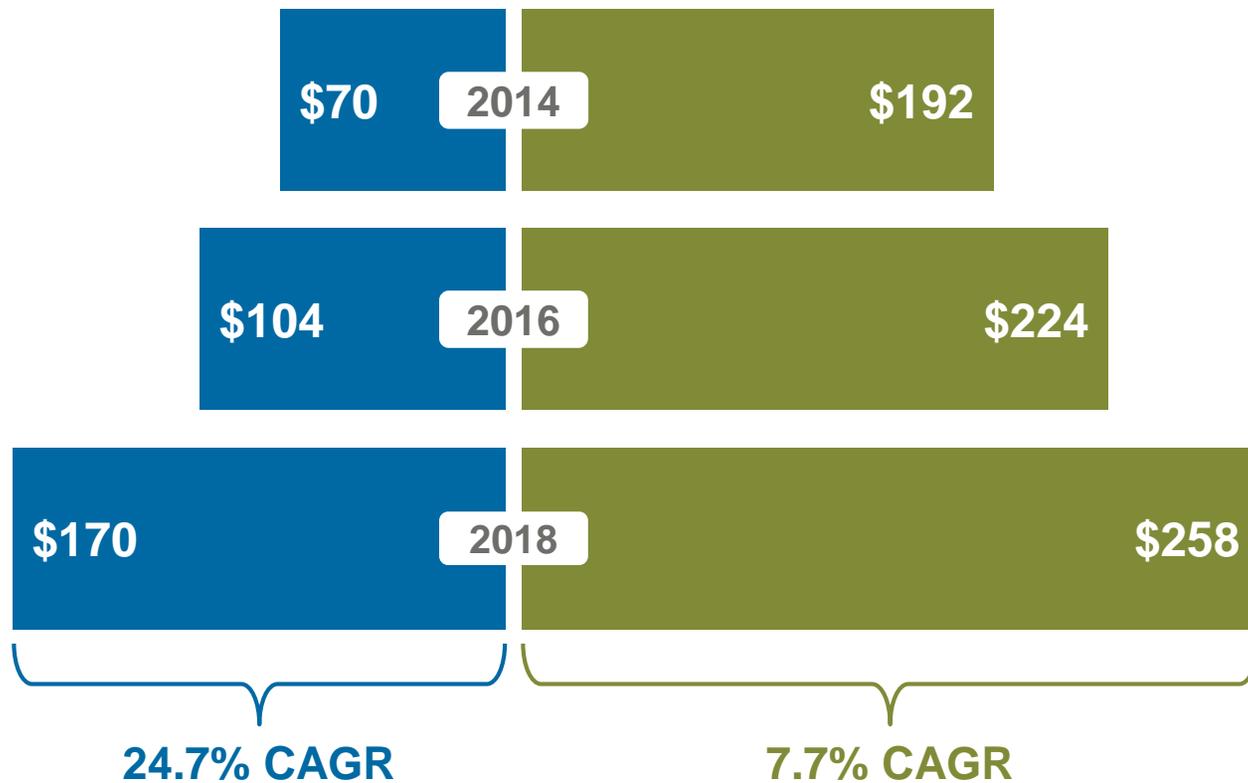
**HIGHER VALUE PURCHASES**

**Virtual card accounts will remain the predominant driver of commercial card growth for the next five years**

Source: U.S. Single-Use Account Card Market Update: 2016 Market Landscape Analysis, Mercator Advisory Group

## Virtual card payments are growing three times as fast as plastic card payments

U.S. purchasing card enabled payments (billions)



**Virtual card** **Plastic card**

CAGR: Compound annual growth rate

Source: U.S. Single-Use Account Card Market Update: 2018 Market Landscape Analysis, Mercator Advisory Group; Mercator Advisory Group estimates; Federal Reserve, Visa

## Trends shaping the virtual card landscape

---

**96%**

**Virtual card-using organizations also leveraging plastic purchasing cards**

**84%**

**Virtual card spending increase between 2015 and 2018**

### **VIRTUAL CARD IS THE MOST PREFERRED ABOVE CHECK, ACH AND WIRE TRANSFERS, WHEN CONSIDERING...**

- Incentives/rebates
- The amount of information obtained about goods/services purchased
- The security of payments
- The likelihood of an error, correction, of rework to complete payment
- The ability of organizations to
  - Track supplier receipt of payment
  - Transmit remittance information
  - Control spending
  - Integrate with organizational software

## Supporting the needs of you and your suppliers

What you want		What suppliers want	
<i>Hold onto cash</i>	✓	✓	<i>Get paid faster</i>
<i>Improve DPO</i>	✓	✓	<i>Improve DSO</i>
<i>Rebate revenue stream</i>	✓	✓	<i>Lower carrying costs</i>
<i>Less paper/manual work</i>	✓	✓	<i>Less paper/manual work</i>
<i>Ease of use/convenience</i>	✓	✓	<i>Ease of use/familiar solutions</i>
<i>Save money</i>	✓	✓	<i>Get more business</i>

## Commercial Card Partnerships

---

Banks are beginning to partner with industry-leading organizations and evaluating emerging players to enhance the overall Commercial Card value prop through strategic alliances and technical integrations, with a focus on driving efficiencies for clients and their suppliers.



### **E-Procurement & AP / AR Automation**

Integrations to help clients streamline online procurement and their Accounts Payable processes, as well as helping suppliers increase card acceptance and better manage Accounts Receivable



### **ERP Integration & API Strategies**

Technical solutions that allow clients to transmit payment instructions and without a full ERP integration



### **Industry Verticals**

Targeted growth through integrated solutions in additional industry verticals, such as higher education, travel, and healthcare

# Agenda

---

	Page
1 Virtual Cards	7
<b>2 Purchasing Cards</b>	<b>12</b>
3 Corporate Cards	18
4 Conclusion	23
5 Appendix	25

# Card optionality

---

## Purchasing Cards

Plastic, cardless and ghost/  
supplier payment solution



## Virtual Cards

Electronic payables solution

---

Reduce costly manual processing on  
low value/high frequency spend



Target higher value spend requiring A/P  
control or pre-approval

---

Employee convenience with powerful  
spend controls and added visibility



Benefits of a purchasing card with the  
added controls of a check (date, exact  
amount)

---

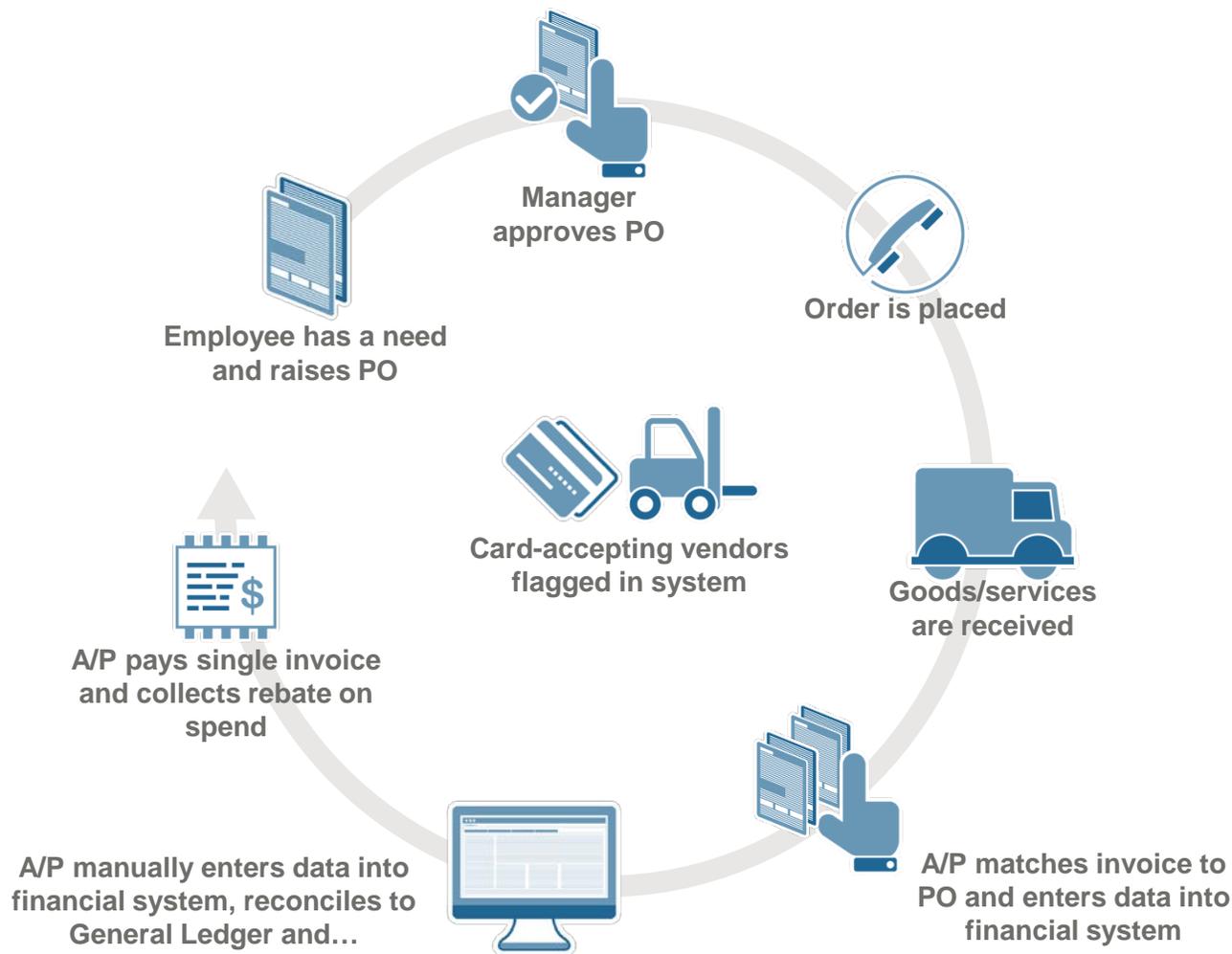
Processing cost saves plus rebate  
revenue and working capital  
opportunity



Efficiencies of ACH, plus rebate  
revenue and working capital  
opportunity

# Transform A/P into a profit center

- Current upstream workflow maintained
- Vendor history retained
- Potential float and working capital gains
- Reduced check cutting costs
- Rebate revenue



# Free up people to push results, not paper



Versus

## PURCHASING PROGRAM

- Simplified processes, greater productivity
- Less paper
- Online management
- Single monthly payment



## PAPER-BASED PURCHASING PROCESS

- Purchase orders
- Invoices
- Checks
- Petty cash requests
- Cash advance requests
- Expense reports
- Receipts
- Approvals
- Filing and storage

Which means more time to focus on other **strategic initiatives**

## Best practices: program goals & foundation

---

### Structuring your program for success

-  Determine **benchmarks and success** metrics (reduction in POs and checks, cycle time gains, etc.)
-  Link card program goals to **broader company objectives** and initiatives
-  Assign a **program owner** with the resources, support and autonomy to drive performance
-  Establish a **cross-functional stakeholder team** to gain alignment and get traction
-  Secure **senior leadership sponsor** to help promote program benefits

## Best practices: reporting & measurement

Using data to validate results and set goals

1 Regularly measure program performance against established success metrics

5 Continually review program for opportunities to gain deeper supplier discounts

4 Provide reports on program performance and summarize key points for senior leaders

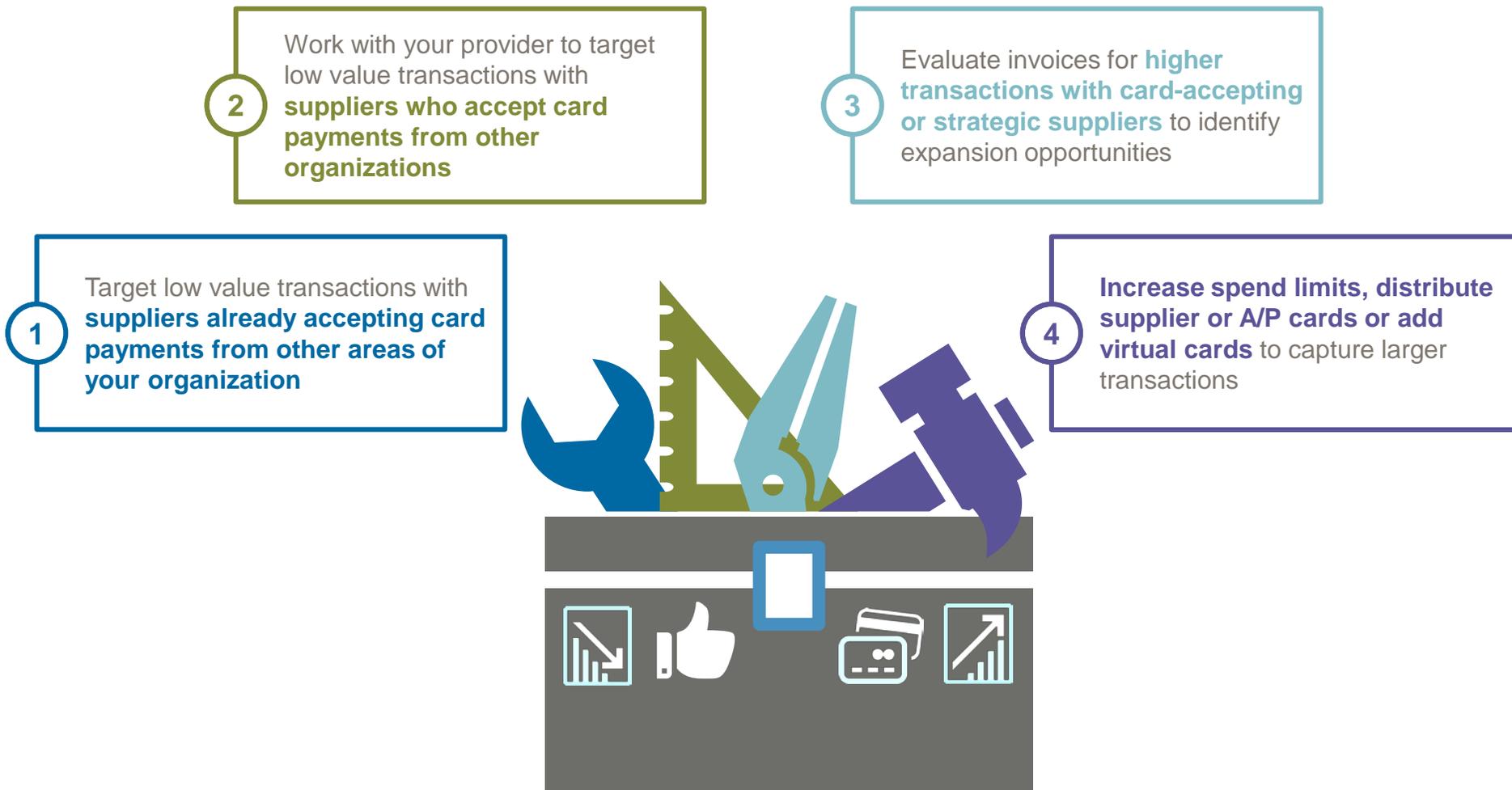


2 Revisit spend limits to ensure maximum performance and update goals as needed

3 Share useful data with key stakeholders across your organization

## Best practices: expansion & optimization

Building on your program's success



# Agenda

---

	Page
1 Virtual Cards	7
2 Purchasing Cards	12
<b>3 Corporate Cards</b>	<b>18</b>
4 Conclusion	23
5 Appendix	25

## Priorities for corporate T&E card programs shift once again

Looking forward, given global unrest and the continuing quest for tighter control over travel budgets, there are clear trends emerging or re-emerging in travel card program management

- A focus on convenience and safety for traveling employees
- A rise in the importance of having clear policy guidelines
- Obtaining rebates and other incentives
- Eliminating travel advances and petty cash accounts
- Eliminating paper-based expense reporting process



Source: RPMG Research Corporation, 2016 Corporate Travel Card Benchmark Survey

## Take control of your spend to enforce policy adherence and minimize misuse

---



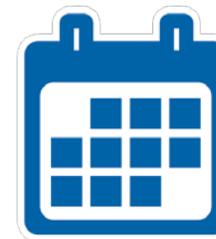
### SET SPEND LIMITS BY DOLLAR AMOUNT AND USAGE THRESHOLDS

- Credit limits
- Monthly transaction limits
- Daily amount limits
- Daily transaction limits
- Single amount limits
- Velocity limits



### SPECIFY MCC GROUP CONSTRAINTS

- Block MCC groups
- Assign MCC groups to different accounts in real time



### SET TEMPORARY LIMITS ON DEMAND FOR SPECIFIC NEEDS/ TIMEFRAMES

- Unique/one-time purchases
- Emergencies
- Staff coverage

# Customized analytics to benchmark performance

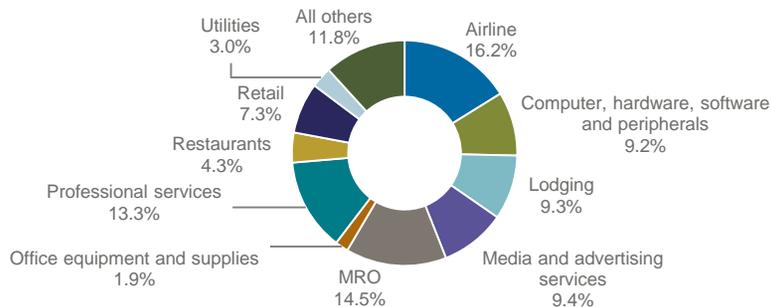
Program analysis can help you uncover:

- Policy and usage **misalignment** issues that might suppress transaction volume
- **Lost opportunities** that can add major spend to your program, and therefore additional rebates
- Program **reach opportunities** that can broaden program penetration and introduce card usage to **new categories**
- Answers such as
  - Which travel vendors are receiving most of your organization’s business?
  - How does your travel spend by category compare to all corporate travel spend?

## YTD top 20 MCC summary by spend volume

Rank	MCC	MCC description	Vendors	Count	Sum
1	5085	Industrial supplies not elsewhere classified	241	1,096	\$4,898,949
2	5812	Eating places restaurants	12,452	22,699	\$1,553,176
3	5169	Chemicals-allied products not elsewhere classified	28	122	\$884,085
4	3058	Airline A	1	1,830	\$824,096
5	5999	Miscellaneous and specialty retail stores	220	447	\$817,209
6	3000	Airline B	1	1,942	\$767,374
7	7399	Business services-not elsewhere classified	457	1,466	\$627,717
8	7361	Employment agencies temporary help services	4	24	\$530,403
9	5099	Durable goods not elsewhere classified	57	155	\$450,145
10	3066	Airline C	1	1,536	\$427,186
11	5046	Commercial equipment not elsewhere classified	87	188	\$362,226
12	3665	Hotel A	312	1,538	\$325,296
13	7011	Lodging-hotels motels resorts-not classified	448	1,020	\$287,507
14	5814	Fast food restaurants	7,004	13,620	\$275,390
15	3690	Hotel B	57	1,310	\$266,104
16	7299	Other services (not elsewhere classified)	100	273	\$262,735
17	3001	Airline D	1	835	\$260,020
18	8398	Organizations charitable and social services	109	267	\$252,457
19	5200	Home supply warehouse stores	1,221	3,589	\$250,717
20	8699	Organizations membership-not elsewhere classified	122	347	\$243,852

## YTD top 10 T&E commodities



\*For illustrative purposes only

## Corporate card options

### Central Travel Accounts (CTAs)

- Enhanced control and streamlined reconciliation for your **largest travel expenses**
- Helps better monitor travel spend
- Reduces individual credit limit exposure
- Cards for individual travelers NOT required – can be used for job candidates, consultants or employees who travel infrequently
- Simplified billing: single account number, single invoice for all travel expenses
- Consolidated monthly payment can increase cash flow and enhance your rebate
- Increases travel policy adherence through use of preferred vendors
- Range of controls provided (vendors, charge privileges, traveler or department information, etc.)
- Usually housed by your travel management company or travel agent
- Central bookings can translate into additional leverage in vendor price negotiations

### Department Cards

- Available for use by multiple employees in a team to help support your organizations travel needs and processes
- Non-personalized cards; department and organization names are embossed
- Department cards offer a wide selection of account controls (transactions per day, or per cycle, single-purchase limits, cash access, MCCs, etc.) to reflect the intended card usage; for instance, focus a department travel card on travel MCCs
- Ability to maintain a low credit limit and raise that limit only when additional spend is required
- Protected under a Fraud Liability Policy against outside fraud (fraud committed by someone who is NOT an employee)

## Example sections in an expense policy

---

- Vendor policy including invoice approvals, registered suppliers
- Events/Entertainment approvals
- Approval hierarchy
  - Definitions of Approver Roles
  - Exception approvers
- Submitting expense reports
- Delinquent submissions
- Falsifying Expense Reports
- Exceptions to policy
- Personal use of corporate cards and use of personal cards for business purposes
- Terminated Employees
- Receipts
- Employee Meals
- Per Diems
- Transportation including rail, air, taxi, car (rental and mileage reimbursement), parking, travel fees
- Accommodations
- Companion travel
- Tips/Gratuities
- Cash Advances
- Passports/Visa/Airport Security
- Personal Property Damaged or Stolen (including luggage)
- Charitable contributions
- Bereavement/Sympathies (Employee)
- Communication & Technology
  - Business usage on personal technology devices
  - Video Conferencing
- Campus Recruiting
- Package and Document Delivery
- Industry publications / subscriptions
- Non-Reimbursable

# Agenda

---

	Page
1 Virtual Cards	7
2 Purchasing Cards	12
3 Corporate Cards	18
<b>4 Conclusion</b>	<b>23</b>
5 Appendix	25

## Conclusion

---



**Those who will thrive in this transformative period will solve today's challenges with tomorrow's thinking.**

### Three Takeaways:

- 1 Are you as efficient as you can be?
- 2 Are you adopting and leveraging technology to the fullest?
- 3 When was the last time you took a step back to determine if current processes will move you forward with today's challenges and tomorrow's opportunities?

Thank you for having us!

Any questions?

[Brian.M.Thomason@jpmorgan.com](mailto:Brian.M.Thomason@jpmorgan.com)

[Joellyn.E.PerryPowell@jpmorgan.com](mailto:Joellyn.E.PerryPowell@jpmorgan.com)

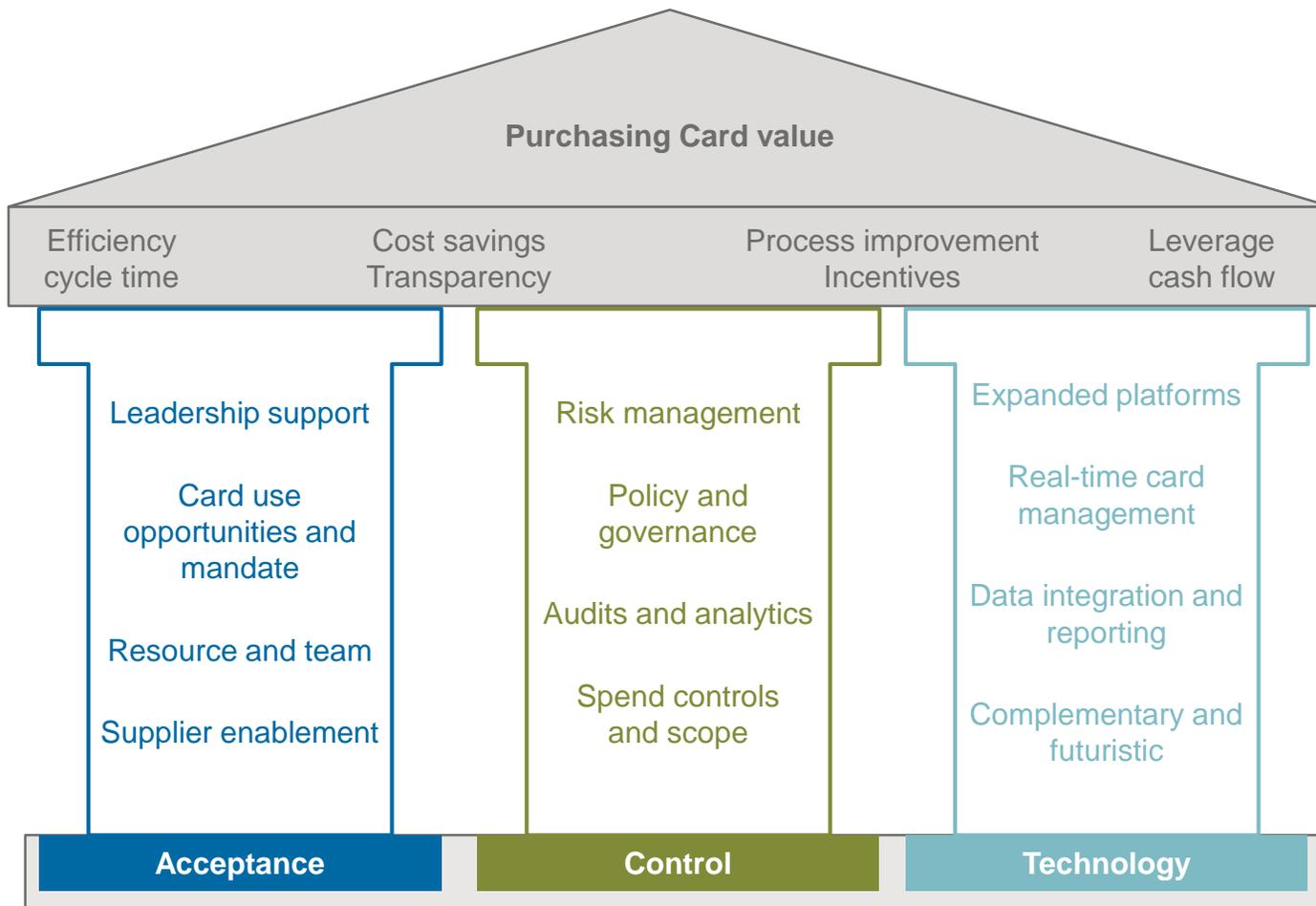
[Dana.Hwu@jpmorgan.com](mailto:Dana.Hwu@jpmorgan.com)

# Agenda

---

	Page
1 Virtual Cards	7
2 Purchasing Cards	12
3 Corporate Cards	18
4 Conclusion	23
<b>5 Appendix</b>	<b>25</b>

## Value attained from purchasing cards stems from management of the card program



Source: 2017 Purchasing Card Benchmark Survey Results

# Case study: Going green creates more green

A global health and weight management company

Key goals: Reduce paper automate processes



### BEST PRACTICES CHECKLIST

- Focused on organization’s broader goals and got top leaders on board
- Worked with Shared Services team to promote the program
- Set limits and policies that balanced control and opportunity
- Expanded card distribution and used different types of cards
- Promoted program in creative ways using contests and rewards

### The situation

Client wants to cut back on paper to reduce costs, improve efficiencies and support green initiatives

### The challenge

Getting everyone focused on “shedding paper weight” across the payables process

### The solution

- Sweeping P-card program, all expenses encouraged
- Appropriate MCC/spend limits
- Pilot to test policy, build momentum and promote results
- Contest and prizes for signing up suppliers
- Ghost cards for larger, PO-based expenses

### The results



Greater efficiencies; able to manage more volume with same headcount



Fewer invoices, POs and checks



Financial benefit: reduced costs, improved float and rebate revenue



Renewed focus on service – employee/ supplier KPIs – not pushing paper

# Corporate Card-enabled T&E expense process

- Greater spend **control**
- No need for employee to “fund” expenses
- Better productivity, **less manual work**
- Efficiency savings & **reduced check cutting** costs
- Increased spend **visibility/data** for negotiations
- Rebate revenue

