

Corporate Spend

Playbook



October 2021

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Acknowledgment

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What's Inside

Anyone who has ever received an overdraft charge on a checking account or gone over the spending limit on a credit card can attest that one of the easiest ways to ruin a budget is to overspend on unanticipated items. In the business world, there are numerous checks and balances, electronic alerts and softwares that keep constant watch over a company's finances, and accountants are paid to mind the financial house.

Still, corporate budgets are subject to cost overruns that can snowball out of control. Large businesses with national or global subsidiaries, employees with expense accounts and vendors that need to be paid can easily have minor expenses add up over time to take a big chunk out of the bottom line. One recent study estimated that the average company in the United States pays out more than \$30,000 per month in expenses placed on their employees' personal credit cards. The study also found that companies on average lose nearly \$85,000 annually on purchases made outside of company policy, and larger companies (those with between 1,000 and 5,000 employees) lose more than \$100,000 per year on average.

The business world's widespread shift to remote work during the pandemic has exacerbated this problem. Nearly one-third of finance professionals recently reported that

more employees are submitting expenses than before the pandemic. Ninety percent said they have allowed employees to expense new items during this time, making it more important than ever for companies to keep a close eye on their expenditures.

One of the tools used more and more to keep excess spending in check is the virtual card. The pandemic has complicated communication among colleagues and clients, and these cards help companies offer the perks of corporate expense accounts while maintaining transparent, real-time budget oversight.

Spend management developments around the world

One reason to jettison credit cards for corporate spending: no longer having to carry them. Virtual cards, often accepted by vendors and stores that accept credit, have no physical component to carry and increase convenience and security by generating a digital token linked to the card account, making data more difficult to compromise. A June 2021 report predicted that virtual card transactions will reach \$6.8 trillion by 2026, up from \$1.9 trillion this year. Virtual cards can be used just once, cutting down on incidences of fraud. They can help better manage cash flow and minimize waste with built-in spending controls. Finally, integrations with spend management solutions can streamline workflows and reduce the need for lengthy approvals and invoicing.

The pandemic has changed how the world does business, requiring businesses to change how they manage excess spending. Aneal Vallurupalli, chief financial officer of spend management platform Airbase, told PYMNTS

in a recent [interview](#) that small to mid-sized businesses (SMBs) in particular need robust corporate spend tools to help ease cash flow burdens when things get tough. Businesses are looking for technologies to connect enterprise resource planning (ERP) systems to warehouses for assistance with invoicing, and virtual cards are helping vendors and employees get paid more quickly despite having less contact than ever.

Spend management platforms may be available to help make things easier, but they are not necessarily available throughout the world. U.S. companies that have subsidiaries worldwide, for example, find it difficult for their colleagues to enjoy the benefits of the same platforms. Businesses thus need the ability to share spend management information with a distributed workforce. Airbase [announced](#) in September that the company's spend management tools will be available to businesses with U.S. headquarters and worldwide subsidiaries.

For more on these stories and other spend management developments, check out the Playbook's News and Trends section (p. 10).

Fundbox on leveraging spend management to power efficiency

As spend management tools such as virtual credit cards make it easier for SMBs to track expenses, pay vendors and offer transparency into corporate finances, the pressure is still on for companies to meet the financial needs of B2B businesses with different finan-



cial structures than larger companies. How do companies that become more digitized and expand across the globe maintain clients' trust while keeping excess corporate spend to a minimum and making their own internal processes more efficient?

For this month's Feature Story (p. 7), PYMNTS spoke with Marten Abrahamsen, chief financial officer for artificial intelligence (AI)-powered financial platform [Fundbox](#), to discuss how spend management platforms can help make accounting more efficient and transparent while still providing top-notch service for clients as business becomes more remote and international.

Deep Dive: How virtual cards can keep remote workforces' expenses in check

Virtual cards are rapidly growing in popularity as helpful tools to control excess corporate spending. Like traditional credit cards, they can pay for office supplies, a meal with a prospective client or travel reservations. Unlike physical cards, virtual cards add layers of accountability and security by generating random card numbers that are nearly impossible to steal. Software support instantly integrates purchase and reimbursement processes, while spending controls help keep a lid on the overall budget. This month's Deep Dive (p. 13) explores companies' increasing use of virtual cards and details how these solutions can help restrain out-of-policy spending by employees in a remote working world.



5 FIVE FAST FACTS

REMOTE WORKFORCE

Most hiring managers expect workforces to remain more remote than they were before the pandemic started.

VIRTUAL CARD USE

Virtual card business usage is expected to exceed \$1 trillion by 2022.

PANDEMIC SPEND

One in three finance professionals say more employees are submitting expenses now than before the pandemic.

OUT-OF-POLICY SPEND

Companies on average lose \$84,980 annually on purchases made outside of company policy.

LEGAL SPEND

Most corporate legal departments identify themselves as proactive, optimized or predictive in their spend management approaches.

Feature Story

FUNDBOX ON HOW SPEND
MANAGEMENT SOLUTIONS
HELP POWER GROWTH,
FACILITATE REMOTE WORK



The U.S. economy runs on the success of approximately 30 million SMBs, 20 million of which can be considered B2B businesses, and many are smaller businesses that support each other. The supporting cast of your favorite local restaurant likely includes countless small businesses such as the accountants, lawyers, cleaners and kitchen equipment suppliers helping to make your preferred meals a reality.

B2B businesses must often face the added challenge of waiting to get paid, according to Marten Abrahamsen, chief financial officer of [Fundbox](#), an AI-powered financial platform that offers SMBs fast access to business credit. For many of these businesses, he said, free cash for necessary expenses such as payroll and capital investment is often tied up in receivables, inventory, payroll or growth investments.

Fundbox's core products provide clients with access to extra cash in the form of revolving lines of credit with 12-week or 24-week repayment terms and loans with longer repayment terms. The company's Insights product also allows customers to predict future cash balances, and a Flex Pay payment solution gives customers more payment options and flexibility.

“Traditional banks are best suited to serve larger, more established businesses because of their cost structure, and other FinTech players are primarily focused on B2C small businesses,” Abrahamsen told PYMNTS in a recent interview. “Their solutions aren't designed to meet the needs of B2B businesses, which are uniquely challenging given their invoice payment structure.”

Accelerating access and addressing customer needs

Nearly 300,000 SMBs have partnered with Fundbox since its founding in 2003, and like any evolving company, Fundbox has faced growing pains. The company formerly used traditional corporate card platforms, and prospective spenders were faced with physically chasing down cardholders, Abrahamsen said.

To streamline internal processes to maintain focus on providing financial tools and resources for its clients, Fundbox began working with spend management firm Airbase.

“We use Airbase to eliminate the traditionally lethargic process of making payments to third parties, accelerating access to the tools and applications our teams need to address customer needs,” said Abrahamsen. “This practice was misaligned with the speed and agility that a growing FinTech company necessitates. Our accounting team also grappled with time-consuming processes like tracking internal approvals and reconciling transactions.”

A solution for financial pain points

One challenge visible throughout corporate America — and throughout the world, for that matter — is financial efficiency, which has been complicated by the remote working that has become ubiquitous due to the pandemic. A remote workforce can make it more challenging to collaborate with colleagues, control corporate spending, pay vendors and reimburse employees with expense accounts.

“When the world shifted to remote work, Fundbox employees moved to digitize all hard copy documents, leading to a 100 percent reduction in time spent by accounting in filing records and matching physical receipts to expenses,” Abrahamsen told PYMNTS. He added that his company was already using Airbase for six months before the pandemic, which all but eliminated any learning curve for employees.

Another pain point in the financial world is automation, Abrahamsen said, specifically a frustrating lack of automation in many typical corporate spend solutions. With 99 percent of the company’s credit decisions fully automated, he said it was critical to find a solution that allowed his business to reallocate time and personnel resources to other areas.

Virtual credit cards are increasingly being used in the financial efficiency toolbox of many companies to cut down on unauthorized corporate spend by setting administrative spending controls, which can also make accounting quicker and more transparent. Abrahamsen said virtual credit cards could be used to incorporate third-party applications and services more quickly into a firm’s repertoire of internal tools. Reduced time spent on administrative third-party management enables companies to pass those savings on to customers in the form of better pricing and more innovative products.

“We experienced a recent issue with a vendor that agreed to charge a certain amount but instead tried to charge a higher amount to the virtual credit card on file,” Abrahamsen said. “If not for the controls put in place for that specific card, we would have had to spend time attempting to claw back the incorrect charges.”

As businesses continue to work in a remote environment, especially those with international clients in different countries, a need will continue to exist for spend management platforms that can navigate the challenges of remote offices, paperwork digitization and increased platform integrations.

News & Trends

OPTIMIZING CORPORATE SPEND MANAGEMENT

Airbase and QuickBooks partner to streamline accounting

Financial systems that cannot mesh nicely and communicate with each other can lead to inefficient workflows, spiraling corporate spend management out of control. Spend management firm Airbase recently [introduced](#) a native integration between its online platform and Intuit QuickBooks Desktop to help companies seamlessly mesh their general ledger and corporate spend capabilities. These two processes often function inefficiently, but the integration aims to provide a seamless, automated link between them. Small to mid-sized businesses (SMBs) can use the integration to save time and minimize errors because it supports automatic data syncing, reducing the need for manual data entry.

Airbase founder and CEO Thejo Kote said that the partnership leverages three of the company's products: automated bill payments, employee expense reimbursements and software-enabled virtual credit cards. The integration also offers advanced workflows, account workflows and real-time reporting to help ensure that every dollar is accounted for, managed properly and reduces the need for workarounds and homegrown solutions when dealing with multiple vendors.

Legal departments cite technology as a priority for cost control, efficiency

Businesses' views regarding cost control often reveal insights into their financial priorities, which can ultimately dictate their long-term performance. One recently released [report](#) revealed that most corporate legal operations believe their businesses are hitting the mark in managing authorized spend, specifically because they rely on the increased use of technology and digitalization. The survey of 100 companies revealed that 82 percent of corporate legal departments believed their firms' spend management activities were optimized, predictive or proactive in their approaches. Fifty-two percent say they have boosted their usage of certain legal technologies during the last 12 months despite pandemic-related challenges.

Many companies observed varying performance levels last year, but this trend did not stop the use of technologies such as artificial intelligence (AI), eBilling solutions, robotic process automation (RPA) and signature tools to streamline operations and lower costs. The survey noted nine key legal technologies and solutions in use, an increase from the six identified in 2018.

Remote workforces spur the need to improve spend management

Businesses have long found it challenging to manage corporate spend, and the recent pivot to remote work has not made the task easier. This new reality creates obvious challenges stemming from employees no longer working in close proximity, but some businesses — notably SMBs — are also avoiding paying rent or vendors to ease cash flow burdens when things get tough, PYMNTS research has found.

SMBs can combat these issues without taking such drastic measures, [explained](#) Aneal Vallurupalli, chief financial officer of spend management platform Airbase, in a conversation with PYMNTS. Many of these businesses are looking to overhaul manual processes by continuing their digital transformation efforts to include more robust corporate spend technologies. These management technologies often include built-in approval matrices and increase visibility into spending. Tools that can seamlessly connect ERP systems to data warehouses with product-level and customer resource management (CRM)-level information will help improve invoicing, Vallurupalli said, and virtual credit solutions with accounts payable (AP) and invoicing functions can get employees reimbursed for their expenses on time.

SMBs are not the only companies confronting spend management hurdles that stem from remote work. Companies with international subsidiaries are also [looking](#) to streamline

their spend management with tools and solutions to address their specific needs, including support for foreign currencies.

VIRTUAL CARD SOLUTIONS

Virtual credit card use expected to grow as SMBs recognize benefits

Many professionals have long enjoyed the convenience of using credit cards for corporate spending, but even more would prefer not to have to carry them in the first place. This makes virtual credit cards attractive, as many major vendors or stores that accept credit will accept the digital payment tool. Virtual card-based transactions' global value is [expected](#) to reach \$6.8 trillion in 2026, up from a predicted \$1.9 trillion by the end of this year. The cards also boost both convenience and security by utilizing technology





that generates a digital token linked to the card account, making it less likely that data can be compromised.

The payment details and credentials virtual cards contain can be used just once, cutting down on instances of fraud. They empower companies to better manage cash flow and waste, as built-in spending controls allow businesses to introduce approval processes. Integrations with spend management solutions can also streamline workflows and reduce the need for time-consuming approvals and invoice payments.

Virtual card usage predicted to grow 39 percent in the next year

Businesses' efforts to digitize payments, control expenses and increase their use of touchless payments are expected to prompt an increase in demand for virtual credit card technologies to improve these processes' safety and efficiency. One recent [report](#) anticipated virtual credit card usage to increase by approximately 39 percent in the next year. Credit card companies are offering these cards as a way to cut costs and save time via simpler onboarding procedures, better flexibility, heightened ease of use, strengthened spending controls and streamlined expense-reporting technologies. They also keep businesses' payment credentials safer by leveraging single-use credentials rather than set payment details, dramatically decreasing potential fraud impact, even if these payment details are stolen.

Deep Dive

HOW VIRTUAL CARDS CAN HELP FIRMS CONTROL THE EXPENSES OF A REMOTE WORKFORCE

The pandemic accelerated the already sizable trend toward a more remote workforce, and it appears that remote work's ubiquity is not ending anytime soon. A staggering 97 percent of all U.S. office employees have worked from home at some point during the pandemic, according to a global study that also predicted the number of Americans working remotely to reach 36.2 million by 2025, nearly double its pre-pandemic level.

The shift to remote work has complicated some operations for finance teams, especially in employee spending. Most finance professionals say their companies have permitted employees to expense new items during the pandemic. Nearly one-third report that more employees are submitting expenses now than they did before the pandemic began. A recent survey indicates that companies are losing more than \$80,000 every year — some more than \$200,000 — on purchases made outside of company policy.

Company executives face intense pressure to keep costs down organizationally, yet vendors and employees are looking to get reimbursed more quickly in an increasingly digital world. Virtual cards are gaining popularity as a way to control corporate spend while giving corporate leadership and shareholders more visibility into where wasteful expenditures can eat into

company profits. The cards offer employees a convenient and frictionless payment tool for work-related expenses while empowering managers to monitor and ensure compliance with company policy.

The following Deep Dive explores some of the challenges that the move to remote work poses for corporate finance teams. It also examines how virtual cards can improve fiscal efficiency and accountability while making it easier for employees and vendors to do business.

Expense control challenges in a changing work environment

Parts of corporate travel, in-person interaction and entertainment are slowly returning to normal, but remote working arrangements are likely here for the long haul. A report found that 62 percent of hiring managers expect their workforces to remain off-site, and 59 percent agreed that companies risk falling behind if they do not adopt a flexible workforce model.

Finance team members who once obtained desks, computers and all the supplies needed to do their jobs at the office are now furnishing and supplying their own workspaces at home. Thirty-one percent of finance professional respondents said in a July 2021 report that employees are submitting more expenses now

than before the pandemic, and 90 percent reported that their companies have allowed employees to expense new items in response to the health crisis. Nearly one-third of finance professionals also said they are finding more errors in their expense reports. Seventy-eight percent of respondents maintained that many employees are not cognizant of company spend policy, and 65 percent said that even senior executives willfully ignore it.

The impact of these expenses is profound. That same [study](#) found that firms lose approximately \$84,980 annually on purchases made out of policy and that larger companies lose more than \$113,250 per year. Thirteen percent of firms are footing the bill for more than \$200,000 per year in out-of-policy spending. In

addition, companies pay an estimated \$32,210 per month in expenses charged to their employees' personal credit cards, complicating expense verification and increasing the pressure for quick reimbursement.

How virtual cards can help companies watch the bottom line

Virtual cards [offer](#) many advantages over traditional credit and debit cards for corporate spending. Their most obvious benefit is their touchlessness, a commonly preferred feature as much of the world continues to do business with minimal contact. Teams can submit requests and approvals either online or via a smartphone app to accommodate remote workers.

Virtual cards are also more secure than their plastic predecessors. A virtual card allows the user to generate a one-time card number that links to a corporate account. It eliminates the need for an employee to carry a physical card that can be lost, and it is essentially impossible for bad actors to steal a virtual card number that changes with each use.

Finally, virtual cards can help organizations closely monitor and maintain clear records on employee expenses to control overspending. Companies can set spending limits, select which merchants to pay and set expiration dates automatically. Virtual cards can also help companies give their employees the flexibility to buy what they need without dealing with expense reports and receipts.



These solutions can also make the monthly closeout and general cash flow accounting much simpler and more efficient for financial teams. Firms that automate their expenses and collections enjoy faster turnaround times than those using manual methods, making it easier to maintain a steady cash flow. A recent PYMNTS [report](#) found that firms using automated methods to manage collections take 17 days to follow up, while those using manual methods take 19 days.

Virtual cards can equip companies with the maneuverability they need to respond to a business climate that is rapidly changing. With the right tools, executives can have more visibility into monthly budgets, especially regarding expenses. Virtual credit cards supported by a strong software platform offer a view of financial transactions in real time, allowing managers to adjust budgets and spending policies with each new card issued.

As with traditional cards, companies can also earn cash back, which can help add to the bottom line over time. Virtual cards have the power to generate substantial cost savings, placing managers back in charge of their expenses even as the work environment evolves.



About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about “What’s Next” in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

airbase

Airbase provides a comprehensive spend management platform to small and mid-sized companies. It brings three products into one system: all-inclusive accounts payable automation, software-enabled corporate cards and simplified employee expense reimbursements. Airbase applies consistent and robust approval workflows across all products, automates accounting and provides real-time reporting for all nonpayroll spend, eliminating messy tech-stack and inefficient processes. Airbase empowers employees with an easy, uniform approach to spending company money, whether that involves corporate card spend, raising a purchase order or requesting reimbursement.

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at feedback@pymnts.com.

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