



## VISA MULTINATIONAL PROGRAM CASE STUDY

# Pharmaceutical company cuts T&E costs

**“How do you cut back on business travel costs without cutting back on traveling for business?” Companies across the world face this dilemma every time an employee embarks on a business trip. Travel and Entertainment (T&E) costs are skyrocketing and now represent the second-highest corporate expense behind payroll and benefits<sup>1</sup>.**

One of the world's largest pharmaceutical companies with over US\$12 billion in sales has managed to solve the puzzle, reducing its European T&E expenditures dramatically without having to cut back on the number of essential business trips. The company, which is based in the United States, has over 40,000 employees, of whom 15,000 work outside the US. Decision-making occurs at the regional level. The company's European operations have implemented the Visa Corporate card through the Visa Multinational Program to help control and reduce T&E expenses. Visa Corporate is a valuable tool that provides large and medium-sized corporations with the convenience and flexibility they need to pay their T&E expenses at millions of locations worldwide.



The Visa Multinational Program consists of a global network of Visa member financial institutions focused specifically on the payment and information management needs of multinational corporations. The program makes it possible for multinational firms to integrate and streamline their payment operations by providing international support, consolidated transaction data, and web-based multinational reporting. Taken together, they enable the company's European operations to make smarter and more informed business travel decisions.

“With Visa's help, we have managed to cut costs, increase compliance, and improve how we manage and analyze vital T&E data.”

**Procurement Manager**

Visa's acceptance infrastructure across Europe benefits multinational companies in two significant ways: it ensures the commercial card program could be used across the continent even outside major metropolitan areas, and delivers valuable spending data that could be analyzed by the travel managers.

### **Company Challenge**

As with many large organizations, the company streamlined its operations to cut costs and reduce inefficiencies in order to better compete in today's aggressive business environment. After successfully cutting costs across many departments, it was determined that more were necessary. The company was faced with reducing headcount, a situation it wanted to avoid, if operational cost savings could not be found.

The solution emerged when the company assessed its business expenditure and analyzed areas where inherent inefficiencies still existed. European T&E expenses were one of the company's largest budget items. Also, the company was experiencing difficulty tracking business expenses efficiently. For example, employees on business trips were staying at multiple hotels operated by different companies. Although the company could identify these patterns, it had no way of assessing the size or extent of the problem.

This issue not only affected the cost of each business trip, it made it extremely difficult for the company to enforce compliance of company travel policies and negotiate discounts with suppliers.

<sup>1</sup> Aberdeen Group: “The Category Spend Management Report Series 2004: Travel.”

### Company Objectives

Business travel is a major expense for the company, with operations in almost every major European country. Each year, the company spends approximately €40 million on T&E in 14 European countries. It identified three principal objectives for the T&E re-engineering initiative:

- Save on the cost of travel, particularly at hotels, throughout Europe.
- Use consolidated transaction information to negotiate more favorable rates with vendors.
- Monitor compliance with company travel policies to produce savings.



Before making the decision to implement a corporate card program, the company analyzed other options. For example, it talked directly to its travel agencies across Europe to see if they could deliver travel spend data directly to its European headquarters in a consolidated format. Because the hotel chains work off of separate databases, the data could not be consolidated easily.

### Solution

The company was determined to implement a system that would allow for better analysis of T&E expenditures. It decided that a Europe-wide corporate card program would be an important tool in its effort to reduce T&E costs and inefficiencies. A corporate card issued to all of the company's business travelers would allow it to monitor T&E spending. More importantly, a robust program with enriched transaction data combined with hotel and travel agency data would allow the company to analyze where, when, how, and what spending was taking place, thereby enabling it to cut costs by enforcing compliance with travel policies and negotiating bulk rates with key vendors.

The company identified hotel spending as a key area where significant savings could be realized. Hotel costs were in the range of €10 million annually, and it was calculated that a European corporate card program would cut this amount by between 5% and 10%. In addition, the company would benefit from reduced cash advances to employees, as cash could be withdrawn with a corporate card at a local ATM on an "as-needed" basis. Finally, the company was eager to choose a program that enabled electronic payment in locations throughout each country.

"We were faced with a frustrating situation whereby we knew T&E costs were creeping up, but we couldn't get an accurate picture of where the spend was taking place."

**Procurement Manager**

### Making the Right Choice with Visa

Following a rigorous selection process, the pharmaceutical company chose Visa as its European corporate card partner. Across all key criteria, Visa was clearly ahead of the competition:

- **Enriched and consolidated data** – Visa provides a wealth of value-add data for analysis. In addition to basic transaction information, Visa Corporate cards capture important tax and accounting information, and detailed hotel folio that the company can use to negotiate volume discounts with key vendors. Importantly, Visa is able to deliver this valuable information in a single data feed in one currency to the company's European head office for evaluation.
- **Acceptance** – Many of Visa's 24 million acceptance locations are in Europe. The ability for Visa Corporate cardholders to use their card at any location in any country was very attractive for the company, particularly since many of its offices are located in smaller towns outside major urban areas.
- **Experience** – Visa demonstrated global corporate card experience and expertise that could be harnessed to benefit the company. In addition, Visa was already the company's card of choice within individual markets. In key countries such as France, Germany, Italy, Spain and the UK, Visa Corporate was used by local offices for the vast majority of its business transactions.

“Our main objective was to reduce hotel costs and, based on 2003 and 2004 comparisons, we are delighted with the results.”

**Procurement Manager**



- **Issuance** – The Visa Multinational Program provides large companies with a seamless global corporate card offering via its international network of Visa issuing banks. The Visa program allowed the company to select a lead issuing bank in the UK that manages the program, including the relationship with Visa issuing banks in other European countries. The company determined that this approach offered the best of both worlds: a single point of contact at the lead bank and relationships with partner banks for local issuance, currency and customer service, allowing for compliance with regulations and tax laws in each country.
- **Implementation resources** – Visa, in partnership with the lead issuing bank in the UK, provided the company with a team of experienced professionals who managed the implementation process from start to finish.
- **International reach** – The extensive reach of the Visa Multinational Program enabled the company to implement a corporate card program across all of its major European countries, including Belgium, the Czech Republic, France, Germany, Ireland, Italy, the Netherlands, Spain, Switzerland, and the UK.

#### **Program Implementation**

Visa worked directly with the lead bank and the company's in-house team to develop an implementation strategy that brought the multinational corporate card program to market in an aggressive timeframe.

#### **Integrating Data**

Successful data integration into its existing back-office systems (i.e., expense management and enterprise resource planning) was a key requirement of the company. The Visa Multinational Program is specifically designed to consolidate data from multiple points and deliver it in a standard format to be accessed via data file transfer or a web-based tool. The data can be viewed either in a single currency of the company's choosing or in the original currency.

#### **Project Planning and Timeline**

Visa regional offices and departments collaborated with the company to develop a project plan and timeline. Part of this process included selecting a network of Multinational Program partner banks in the key markets where the company had operations.

#### **Business Process Changes**

The company instituted corporate-wide travel policy changes in Europe to take full advantage of the Visa Multinational Program. The company's new travel policies were distributed by the European travel managers. This facility provides employees with a centralized resource that can be used to access a list of approved vendors in each country.

#### **Web Portal Development**

In order to support its Visa Corporate card program, the company implemented a sophisticated Internet-based expense management system that dovetailed with Visa's Multinational web reporting tools. Any of the company's travel managers in any location can access the corporate card data that is hosted by Visa at a secure site. These tools allow the company's finance staff to receive and analyze enriched spending data from Visa card transactions that take place anywhere in Europe. The online data system is also available to managers in each European location, enabling them to monitor T&E spending.

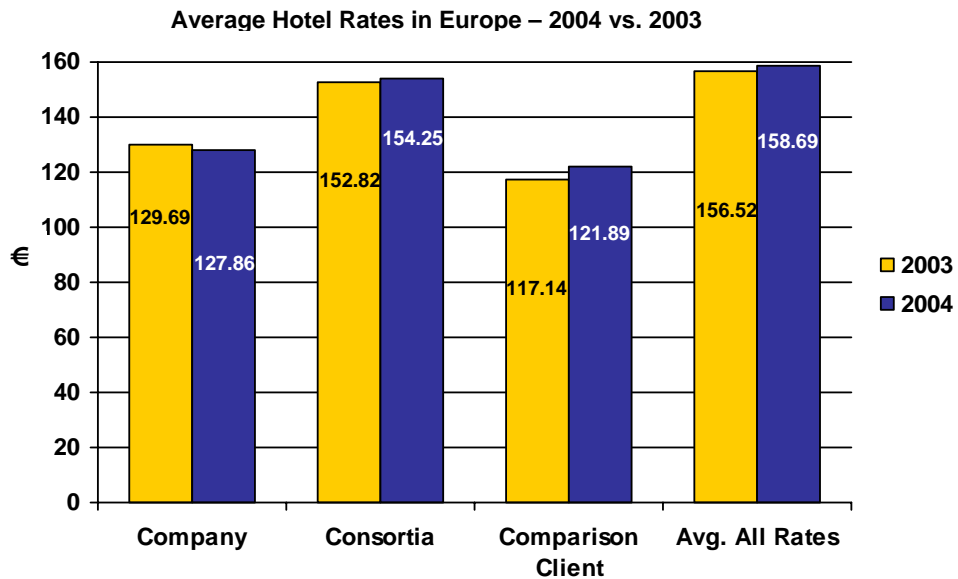
**Results**

The Visa Multinational Program has exceeded the company’s objectives across its key criteria – cost savings,

consolidated data to improve vendor negotiations, and increased compliance.

**Cost Savings:** Implementation of the Visa Multinational Program and Visa Corporate card has had a direct and positive impact on the company’s hotel costs across Europe. According

to a study conducted by the company, the average rate it paid per hotel room dropped from €130 to €128 between 2003 and 2004. This is despite the fact that average hotel rates across Europe increased from €157 to €159 over the same timeframe.



Source: Pharmaceutical Company

**Consolidated Data:** Implementation of the Visa Corporate card through the Multinational Program enables the company to receive detailed information on all transactions that take place across Europe. This data is available (on a consolidated basis) to local offices and the procurement center at the company’s European headquarters in London. Since January 2002, 386,000 transactions in 540 files from multiple countries have been consolidated, a figure that is considerably higher than what the company had previously achieved. As the program expands throughout Europe, average volume is increasing. Visa now delivers approximately 30,000 consolidated transactions a month to the company.

**Compliance:** The company’s travel managers sought and received buy-in from senior management who mandated use of the Visa Corporate card for all T&E expenses. As a result, the company can monitor all business spending across Europe to ensure employees comply with company travel policies.

**Conclusions**

The success of Visa Corporate and the Visa Multinational Program has inspired the company to explore automating its processes further by importing Visa transaction data directly into expense reporting and accounting systems. To facilitate this type of integration, Visa has already partnered with leading ERP and expense management vendors to enable the seamless pre-population of expense reports. Visa is also working directly with hotel chains throughout the world to continue expanding the number of hotel properties that can provide detailed folio data, such as exact food, beverage, minibar, laundry, and health club use purchased during a stay. The company is also looking to further expand the program to include other countries.