

2016 State Of Commercial Credit Cards In Accounts Payable



RESEARCH REPORT

OVERVIEW

Many businesses use corporate credit cards, but often limit their use for Travel and Expense (T&E) payments.

Businesses also use corporate credit cards for Accounts Payable (AP) payments but find themselves limited to a smaller number of vendor payments.

Using corporate credit cards for AP has obvious benefits: businesses can time their payments to vendors more precisely, avail of the working capital extension available through their credit line, and benefit from rewards and cash back programs. In addition, compared to checks – the most common way in which businesses make AP payments – credit cards have very low occurrences of fraud.

The use of corporate credit cards in AP should be an integral part of a business's Cash Management strategy, but it is not. The objective of this research is to assess the current state of commercial credit card use in the Accounts Payable function and uncover reasons why more AP spend is not being moved to corporate cards.

METHODOLOGY

Over a two-week period in late Summer 2016, almost 200 finance and AP professionals completed the online survey exploring the state of commercial credit cards in their business. The respondent pool came from two separate audiences: MineralTree customers and MineralTree prospects. Segmenting the respondent profile allowed us to look at the data in two ways.

MineralTree encourages customers to move their AP spend from check to credit card, so we were interested in comparing customer data against a population of finance professionals who do not use the MineralTree solutions.

It is not surprising that the results showed that MineralTree customers, who, by automating some or all of their AP function are “best in class,”: outshining their peers and impacting the bottom line of their business.

KEY FINDINGS

Some of the most significant findings of this report include:

- More than one-third of respondents are not using corporate cards for vendor payments
- The reasons businesses give for not moving more AP spend to commercial credit cards are varied and plagued with misconceptions
- Impacting the bottom line is the number one reason cited by respondents for moving more spend onto commercial credit cards

COMMERCIAL CARDS USAGE IN ACCOUNTS PAYABLE

To begin, we asked whether or not respondents were even using a commercial credit card at their organization. If they were not, they were disqualified from continuing the survey.

MineralTree customers



Non-MineralTree customers



The data from customers and noncustomers is nearly identical. More than 80% of respondents use a commercial credit card for some purpose at their business today.

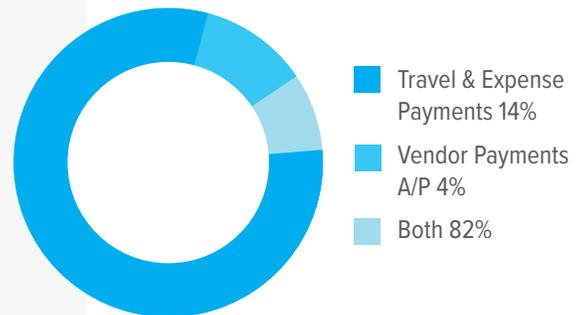
On average, 14% of respondents do not use commercial credit cards at all. Regardless of size, these organizations should implement a credit card

strategy to reap some benefit, whether for Travel & Expense (T&E), Accounts Payable (AP), or even a simple fuel card.

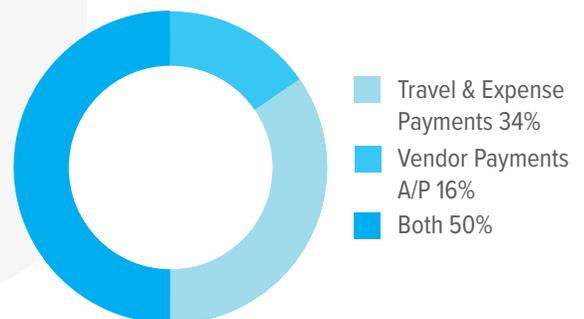
THE SHIFT IN ACCOUNTS PAYABLE

To truly understand the state of commercial credit card use in AP, respondents were asked which types of payments were made on their business credit cards: Travel & Expense Payments, Vendor Payments (AP), or both.

MineralTree customers



Non-MineralTree customers



Comparing the two survey populations reveals some compelling data.

The majority of MineralTree customer respondents (82%) use their commercial credit card for both T&E and AP/vendor payments. This is not surprising since MineralTree customers benefit from a vendor match process and a virtual card offering for businesses that don't have their own corporate card.

When we look at the broader population group of finance execs, the data tells a different story. Only 50% of respondents use cards for both T&E and AP payments. More than one-third of respondents only use their cards for T&E payments.

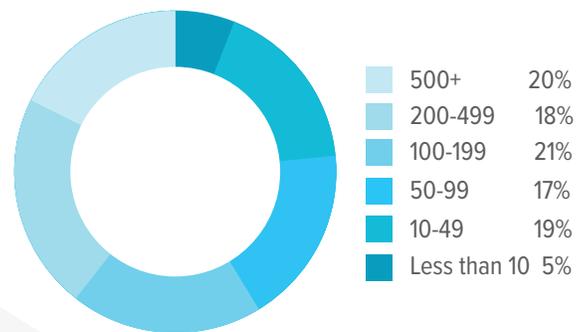
For those businesses already using cards, adding AP spend onto cards is relatively simple. Finance policies are already in place and department heads, for the most part, know the process for submitting and recording expenses.

These businesses can easily expand their policy to include vendor payments. Ultimately, this will increase the “cardable spend” and the finance team will add additional value to the business by bringing in significant rebates. At a modest 1% cash back, companies earn \$10,000 for every \$1M in card spend.

CARD USE CORRELATES TO PAYMENT VOLUME

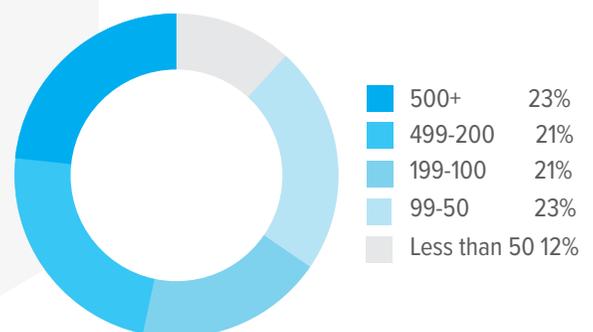
Of respondents who already process AP/vendor payments by commercial credit card, more than 75% of those organizations make more than fifty vendor payments per month (using a variety of payment methods). However, when you dig deeper and look at the number of payments per month paid by commercial credit card, the number is quite low.

Vendor Payments per Month



The chart below shows the number of vendor payments businesses make who exclusively use their card for T&E. About 80% of respondents make 50 or more vendor payments every month. Businesses who make more than 50 payments per month can strongly benefit from accounts payable and payment automation and the ability to easily use a variety of payment rails.

Vendor Payments per Month



WHY BUSINESSES DON'T USE THEIR CORPORATE CARD FOR AP PAYMENTS

In order to better understand why businesses are not using their corporate credit card for Accounts Payable payments, we asked: “Why don’t you use your business credit card for more of your AP payments?”

The answers varied, each with their own set of compelling counter-arguments.

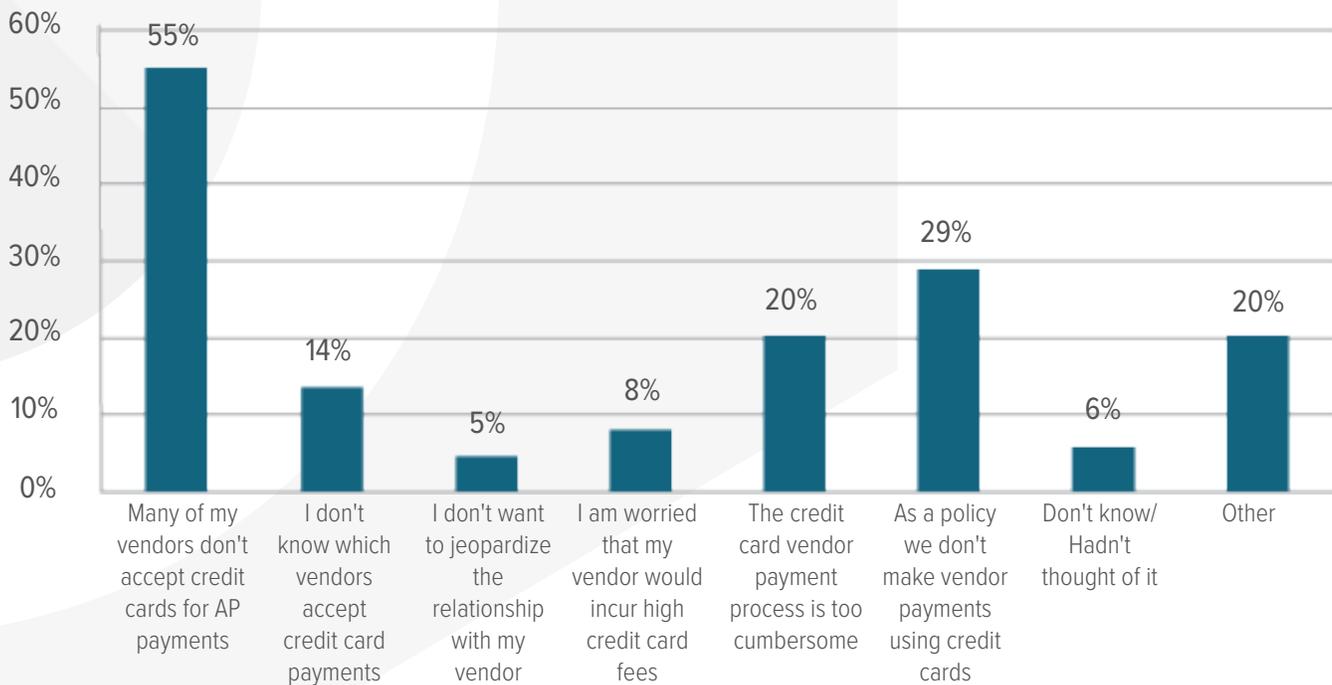
Overwhelmingly, the most common reason cited is that respondents think their vendors do not accept credit card payments. However, this belief may be based on outdated information. Often, the vendor payment method has been previously set up in the accounting system and is outdated. Ask your vendors whether they accept card payments and you’ll find that many do. If you onboard your credit card into an AP automation system, it’s possible that your solution

provider will run your vendor list to identify your card accepting vendors for you.

If you don’t have your own corporate credit card, ask your AP solution provider if they offer a virtual card option that provides you with rebates.

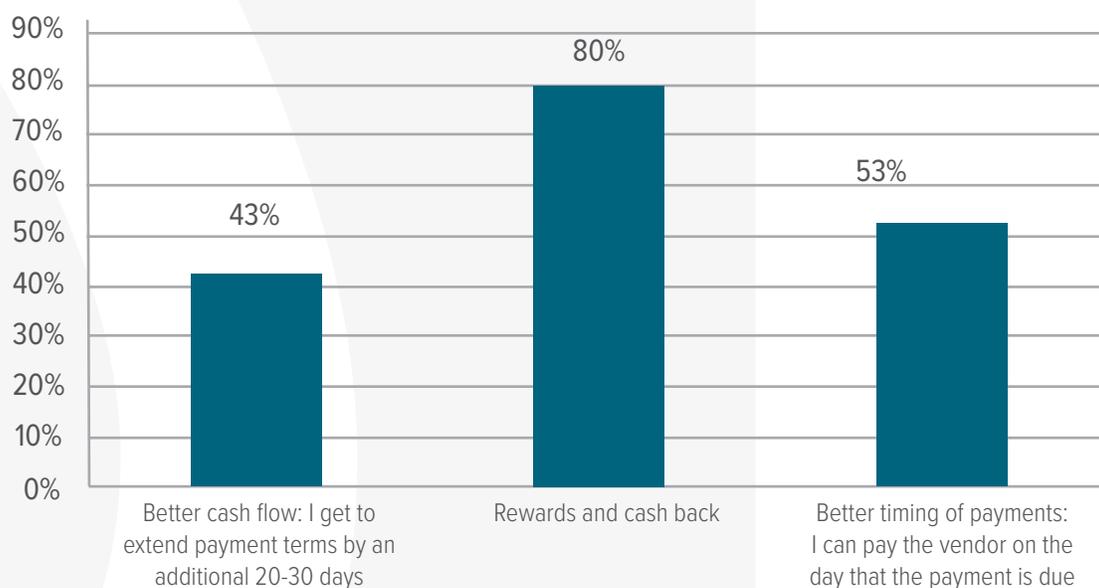
Some AP teams are afraid of jeopardizing their vendor relationships by moving spend to credit cards. It’s important to remember that paying by credit card can actually improve vendor relationships as vendors get paid faster and the payment method is more reliable, especially for recurring vendors. And, if your vendor accepts credit cards, they are already aware of any credit card fees.

Businesses who have a cumbersome credit card process benefit from payment automation. By streamlining the payment process in a simple interface, you are able to send electronic approvals and choose which payment method they want to use for each vendor. Remittance details and/or a secure file is sent directly to your vendors.



COMPELLING REASONS TO MOVE SPEND TO CORPORATE CARDS

Respondents were asked, “Which are the most compelling reasons to make more vendor payments by credit card?” A resounding 80% chose rewards and cash back. While the majority of finance professionals understand that moving AP spend onto corporate cards will impact the bottom line, many fail to execute.



In addition, respondents also felt better timing of payments and better cash flow were important. By being able to execute payment on the day that a payment is due, businesses are able to form better relationships with their vendors and take advantage of early pay discounts. While better cash flow ranked the lowest, it is still on everyone's mind. Processing vendor payments by credit card provides better visibility and enables you to extend payment terms by an additional twenty to thirty days.

THE TRUE BENEFITS OF MOVING SPEND ON TO CORPORATE CARDS

The benefits using cards for AP spend far outweigh any real or perceived obstacles. Eliminating paper checks reduces hard costs substantially and allows finance staff to better allocate their time. Moving spend onto cards allows AP teams to pay invoices immediately or right on the due date, improving vendor relationships. Even if the invoice is not paid

immediately, the option to pay by commercial credit card provides an instant option if there are ever problems with check or ACH payments.

Furthermore, rebates and cash back is an easy way for businesses to “earn” extra revenue. Rebate rates range between .5% and 3 % of spend and that cash directly impacts the bottom line. By using credit cards to pay recurring charges and participation across the company, rebates and cash back add up and can be tracked.