

F101: Evaluating Payment Solutions

Presenters:

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Steven van der Poel, EMEA Travel Manager, NetApp

Agenda

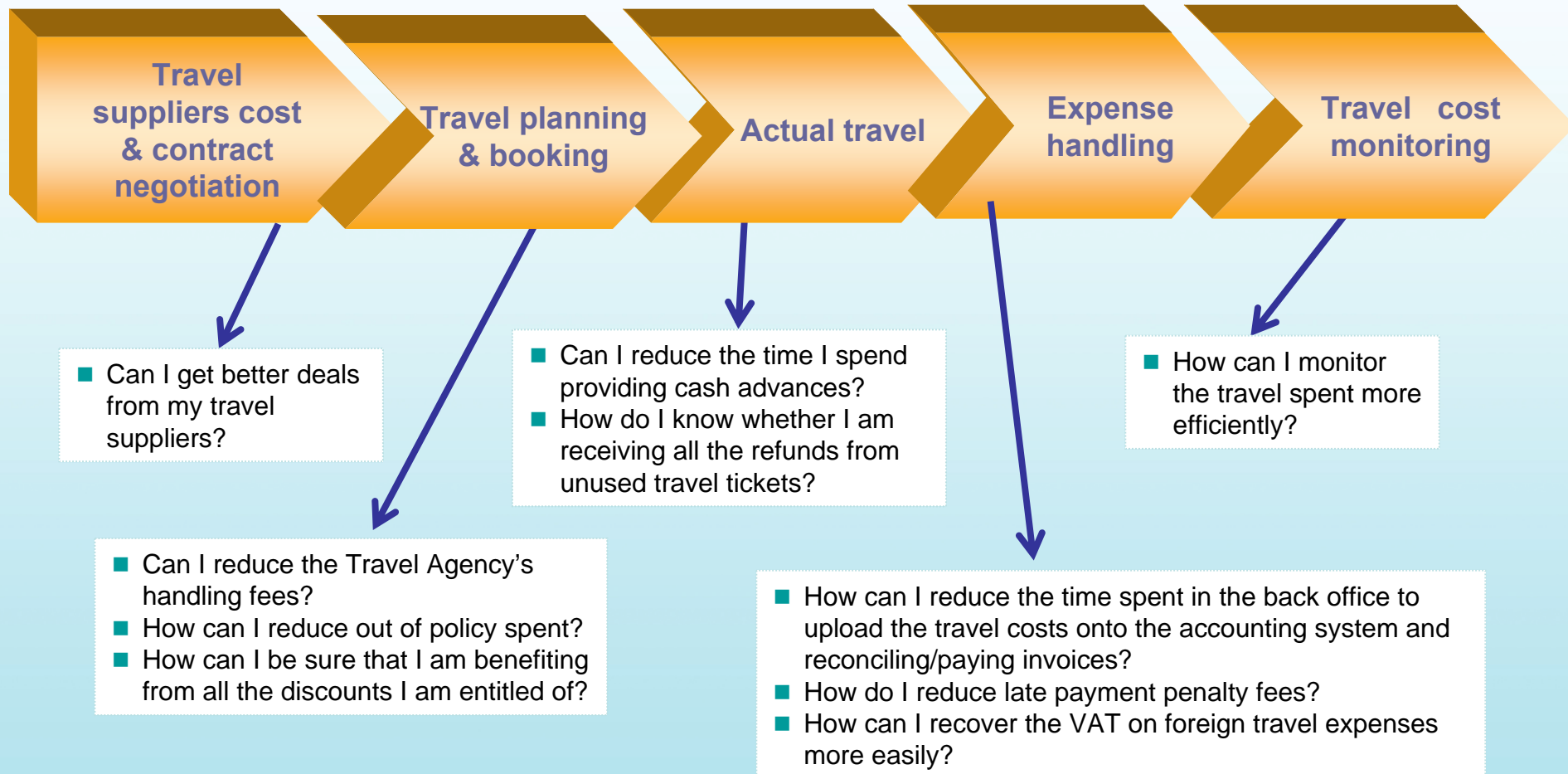
- Erik van Winkel
 - Global vs. local travel payment needs
- Steven van der Poel
 - NetApp Card Program
- Q&A + interaction



Global vs. local travel payment needs - outline

- Travel payment value chain: more than just payments!
- Should the optimal travel payment solution be global vs. local vs. glocal?
- Impact from current economic crisis
- Impact from changing payments landscape

Travel Payment Value Chain



Travel Payment Value Chain



Global	😊 😊 😊	😊 😊	😊 😊	😊 😊	😊 😊 😊
Local	😊	😊	😊 😊	😊 😊	😊

Corporate travel payment solutions: one size fits all?

- Research conducted by EDC in Europe* highlights two main dimensions that require specific adaptation of travel payment solutions:
 - Local market requirements (legal, regulatory and other differences)
 - Type of organisation (large multinational vs. local SME)
 - Different service needs
 - Integrated vs. stand-alone travel management solutions

* EDC/AirPlus/ACTE research, covering the following countries: Germany, UK, France, Italy, Spain, Switzerland and the Netherlands

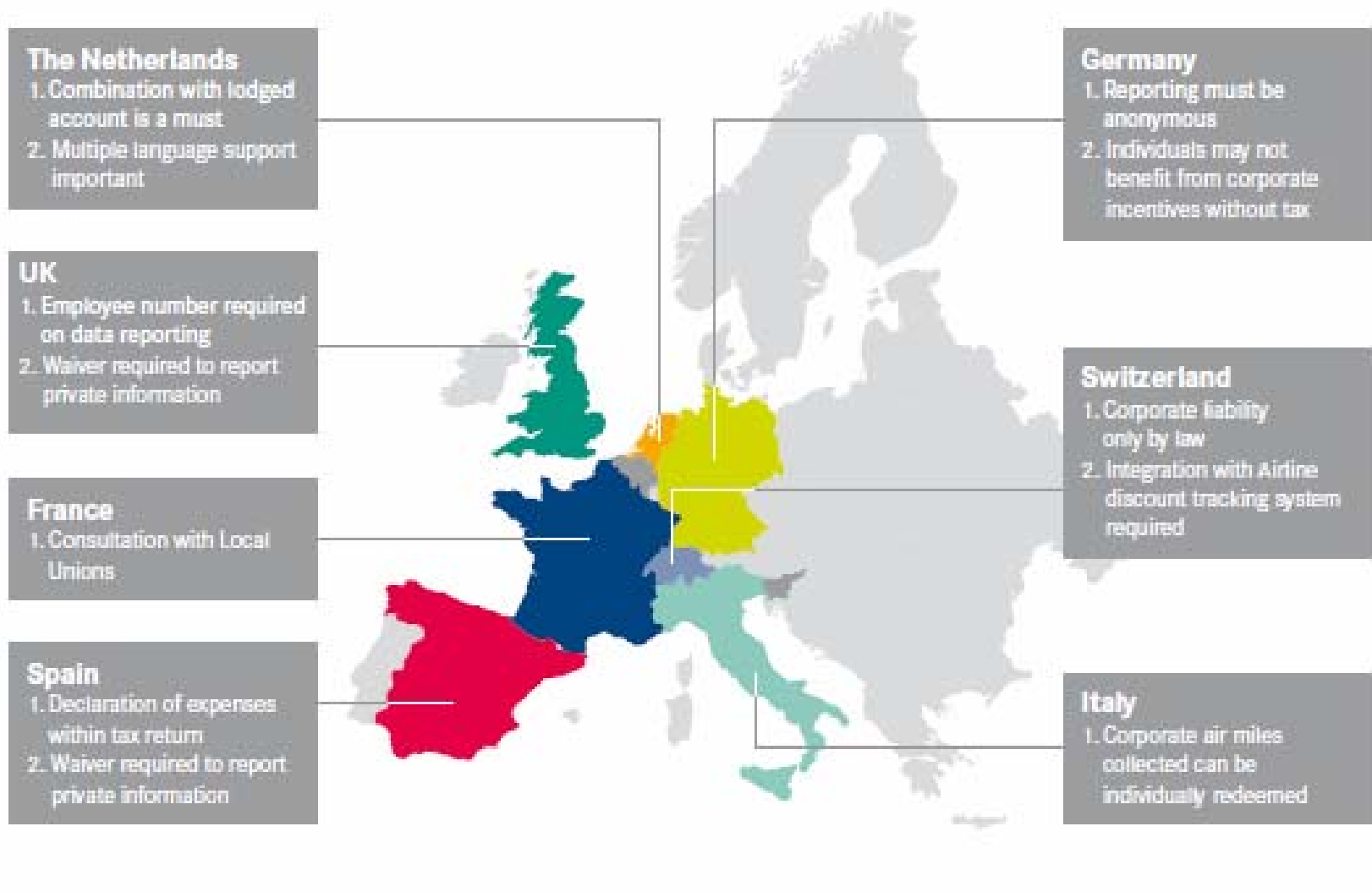
Corporate travel payment solutions: one size fits all?

- Specific SME needs
 - Less focus on supplier negotiations (limited bargaining power)
 - Focus on overall expense management and internal process efficiency
 - Important to have good customer service (e.g. call centre with local language support, implementation support, customised services)
- Large corporations
 - Over one third of research participants had multiple ERP systems across their organisation – flexible interface needed
 - Integrated end-to-end travel management systems (SBT, payment solutions, MIS, expense management)
 - More sophisticated MIS requirements (e.g. easy consolidation across business units and geographies)
 - Cost vs. service level trade-off

Corporate travel payment solutions: one size fits all?

- Local market variations
 - Data privacy and security regulations
 - Cultural differences
 - Card acceptance
 - VAT rules and legislation
 - Local reporting requirements
 - Personal vs. corporate liability on corporate cards
 - Tax implications: some expense reimbursements or loyalty benefits are taxable income in certain countries
 - Employee allowances for travel (per diem): different rules/policies may exist by market

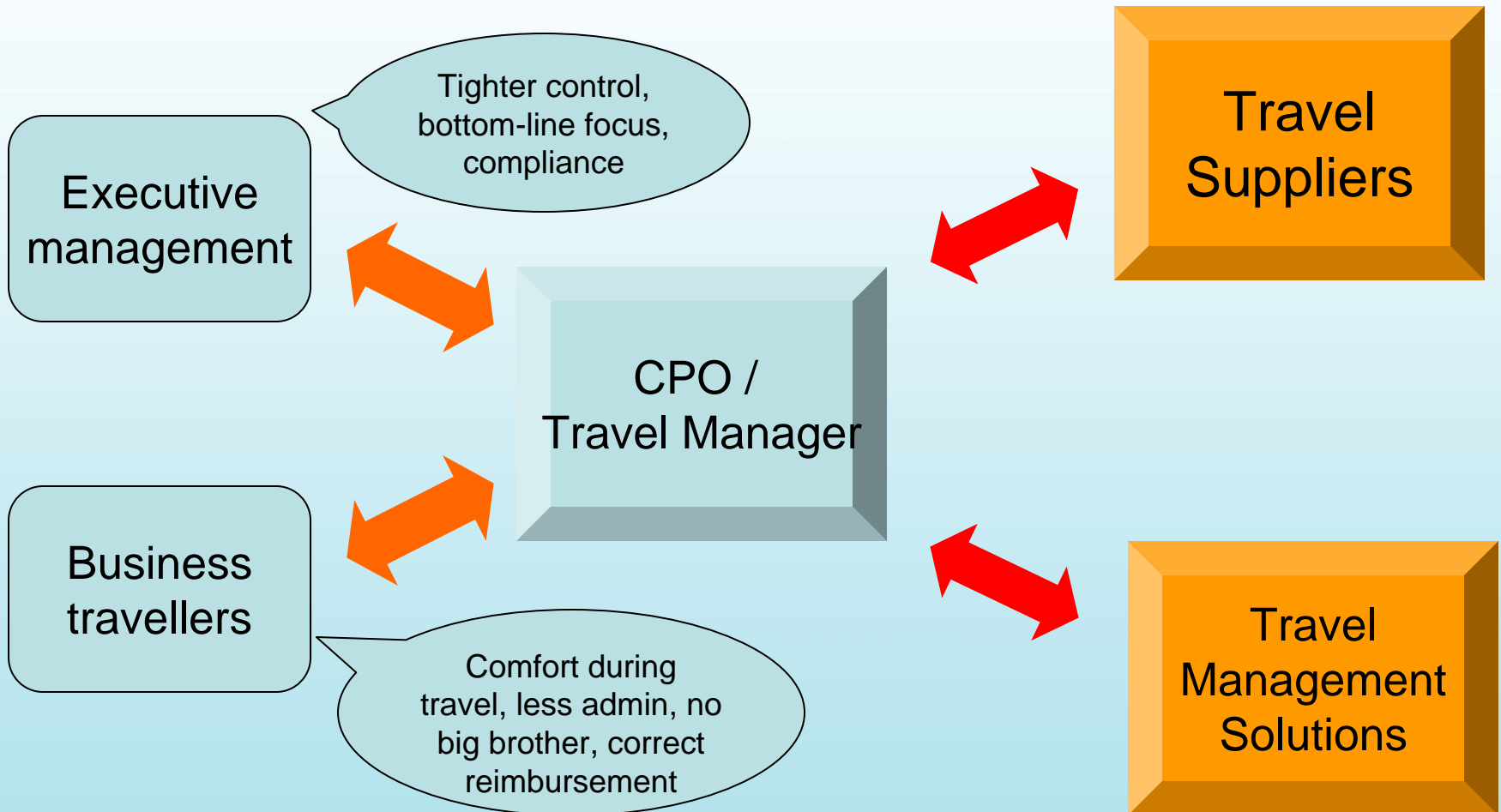
Illustration of local market differences in Europe



Global economic downturn: implications for business travel

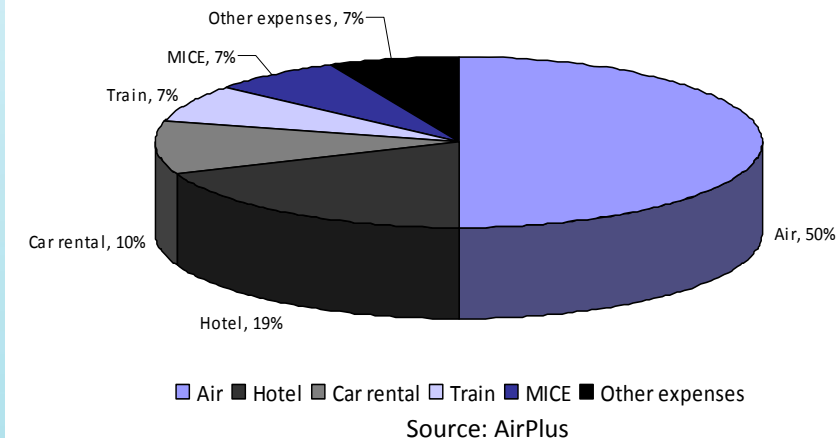
- How the crisis impacts the demand side
 - Slow down of business activities across most sectors
 - Less interaction with clients reduces part of business travel
 - New sales activities could off-set part of this
 - General cost cutting measures at corporate level to address bottom-line issues: business travel budget is easy target (typical objectives of 10-20% reduction)
 - Travel for internal meetings gets hardest hit – this part can represent up to 40% of total travel budget
 - Attendance of industry forums and conferences limited to in-market events
 - Alternatives to physical travel are on the rise (videoconferencing, webinars, ...)
 - Lay-offs at many organisations: also reduces the number of effective business travellers
 - Increased scrutiny on corporate spending (especially in sectors getting government support)
 - Tighter control on procurement activities, travel justification, class of travel, travel policy compliance, fraud, internal audit, etc

Cost efficiencies in travel management are more important than ever



Travel suppliers cost and contract negotiation

- Optimised negotiations leveraging full buying power
 - MIS capabilities to slice and dice travel activities across suppliers, segments, destinations, etc
 - Covering more of total travel activity with supplier deals
- Reduced complexity and cost of data gathering
 - Mutually accepted reporting and figures on actual travel volumes avoids cumbersome reconciliation
 - Reduced number of sources used for travel spend data gathering



Travel planning and booking

- Travel Policy related measures
 - Stricter booking class policy and preferred supplier selection
 - Guidance for business travellers to optimise booking (either advanced booking of flexible tickets vs. last minute non-refundable tickets)
 - Policy compliance (also linked into e.g. expense reporting tool) to optimise use of corporate rates (minimise missed savings)
 - More predictable travel volumes by supplier will allow better negotiations
- Savings related to travel policy change and compliance enhancement can reach up to 15-20% of total travel budget

Actual travel

- Stimulate payment using corporate card
 - Reduce admin related to expense claims
 - Reduce employee cheating in expense claims
 - Improve travel MIS
- Avoid cash advances via petty cash or travellers cheques
 - Reduce internal admin related to cash advances
 - Reduce foreign exchange fees
 - Simplify expense claims and processing
- Guidance to business travellers around invoices/receipts from expenses to improve foreign VAT recovery (e.g. use company name/address in hotel)
- Refund of unused tickets

Expense handling

- Process related efficiencies
 - Automated invoice reconciliation for lodge account travel purchases
 - Integration of travel payment solutions with accounting/ERP systems
 - End-to-end expense processing automation (up to 65% efficiency gains according to MobileXpense)

- Financial gains
 - Foreign VAT recovery: invoicing formats to facilitate VAT recovery and electronic integration
 - Improved cash flow
 - Avoidance of late payment penalty fees
 - Reduction of travel agency exception handling fees

- Result for business travellers
 - Less cumbersome admin process
 - Faster and correct expense reimbursement

Travel cost monitoring

- Enhanced MIS capabilities
 - Allow easy control of actual travel spend status during the year and identification of variance
 - Allow pro-active intervention by travel manager to steer travel behaviour during the year towards specific suppliers in order to optimise overall discounts received
 - More effective budget control – avoid over-spending
 - Less effort for internal audit

- Results for executive management
 - Better forecast and budget control of travel spend
 - More transparency and better auditable processes

The new regulatory environment will cause substantial changes to the existing pre-SEPA payment environment

New European Payment Environment

SEPA – From Vision



To Regulation

SEPA
Single Euro(pean) Payment Area

E-Money Regulation

PSD
Payment Service Directive

ETS
Electronic Transfer Schemes

3rd Anti Money Laundering Directive

Local Data Protection Legislation

SCT
Standard Credit Transfer

SDD
Standard Direct Debit

SCF
SEPA Cards Frame-work

E-invoicing

VAT Directive revision

In addition to SEPA there are also other pan European initiatives which are likely to impact travel management

Other European Regulatory Initiatives

Payment Services Directive

- Structure the participation of existing and new players in the payments networks
- Identifies the rights and responsibilities of institutions participating in the payments system

3rd Anti Money Laundering Directive

- Implemented December 2007
- Not particularly challenging for travel sector as KYC previously collected to required levels
- Some improvement in fraud management

Local Data Protection Legislation

- Currently under discussion
- Unlikely to be more onerous than current data protection legislation.
- Harmonisation will provide buyers and suppliers with more consistency in approach

E-invoicing VAT Directive

- European Electronic Invoicing (EEI) framework with legal and best practice guidelines, rules and standards
- VAT Directive to be revised (for legal equality of e-invoice vs. paper)
- Implementation ongoing 2009-2012

E-invoicing is gaining importance across Europe...

- Europe accounts for the largest share of total invoices globally with a slow, but continuous, shift to electronic invoicing
 - 27 billion invoices in Europe per annum
 - Amounts to 56% of total invoice market
 - Realising electronic invoicing could reduce supply chain costs by 243 billion EUR in Europe
 - European Electronic Invoicing (EEI) implementation ongoing 2008 - 2010

Rock Castle Construction
1735 County Road
Bayshore, CA 94326

Paper Invoice

DATE	INVOICE #
1/3/2007	96


BILL TO
Kerry Ahrens
1945 Cypress Hill Rd
Bayshore CA 94326

BHP TO

P.O. NO.	TERMS	DUE DATE	PROJECT	CONTRACT #
	Net 30	1/29/2008	Harley House	

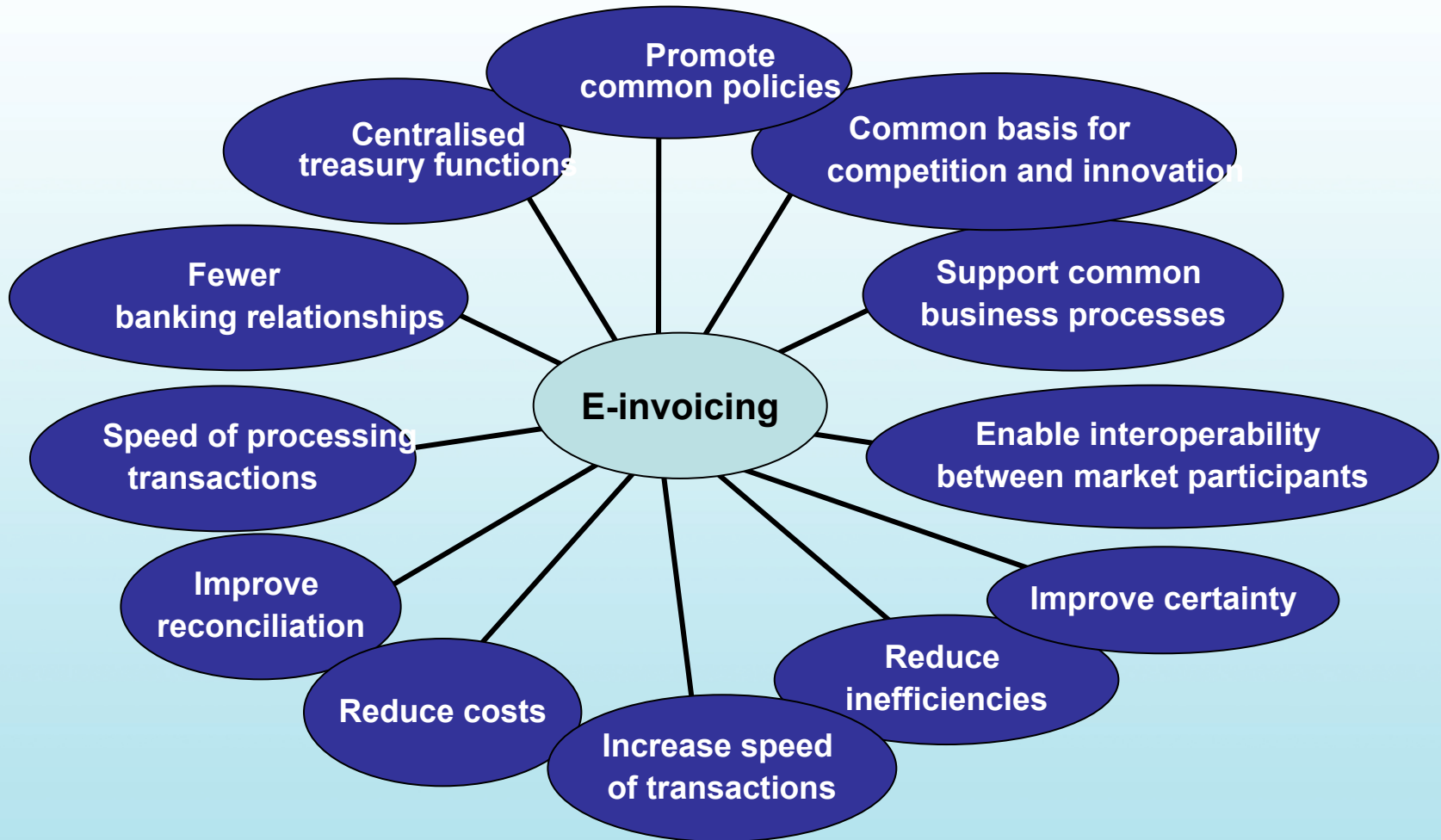
QUANTITY	DESCRIPTION	Price(1)	BHP actor(s)	AMOUNT
2	Floor plate	5.00		100.00
10	Installation labor	35.00	2.00	700.00
12	Double Line from AeroXX's Call-Kit CA sales tax, San Tomas County			0.00 7.75

Europe Electronic Invoicing (EEI)




- | | |
|---|---|
| ■ Share of total: 85% - 96% | ■ Share of total: 4% - 15% |
| ■ Costs: 30-60 EUR per invoice on average | ■ Costs: 10% of paper transactions |
| ■ Travel buyers using paper only: 45% | ■ Travel buyers using electronic only: 19% |
| | ■ Cross-boarder e-invoicing: only 2% of total |

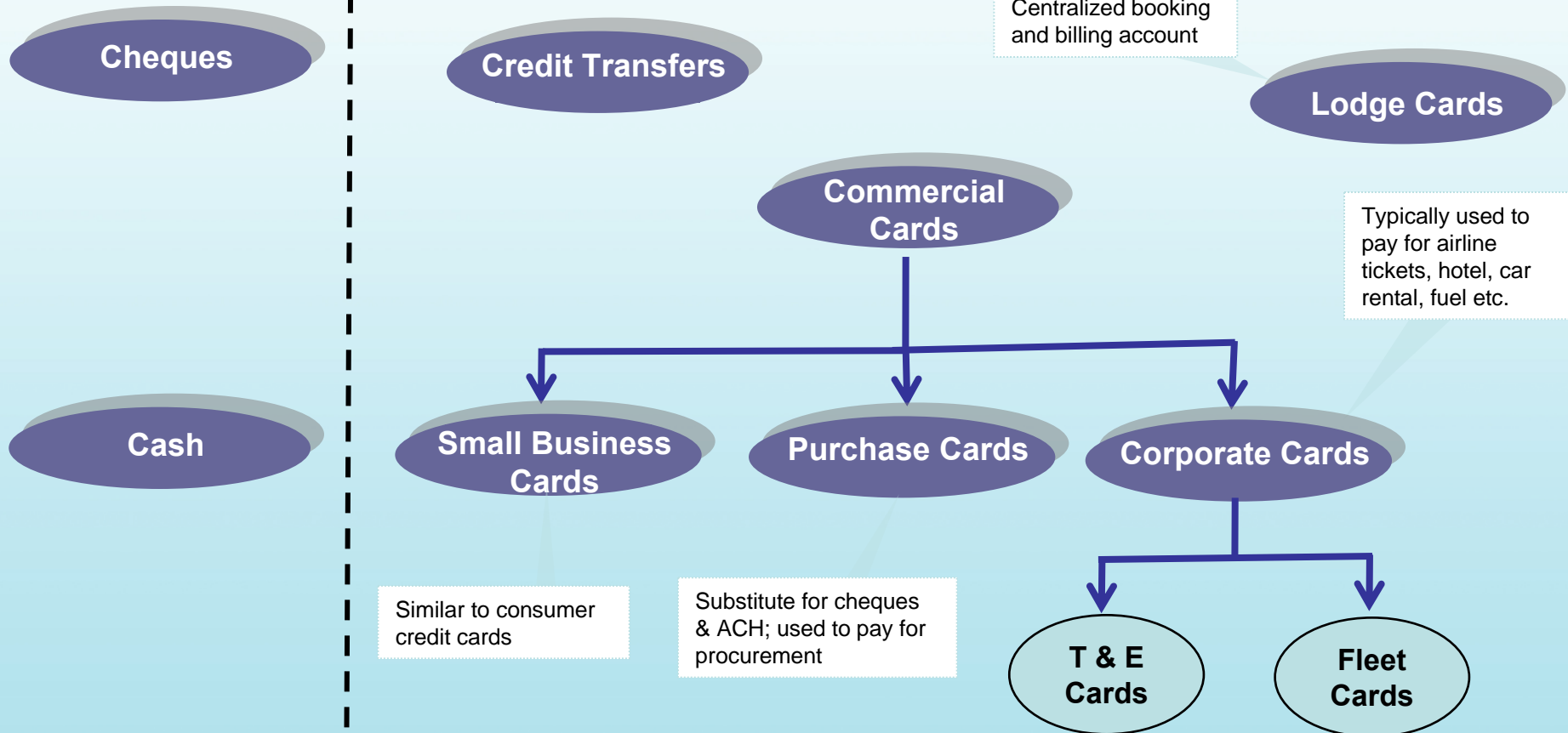
... and can greatly benefit Travel Buyers



SEPA will affect the majority of the methods used to pay for travel expenses

Outside SEPA's remit

Within SEPA's remit



The implications of SEPA for these payment products will vary

Commercial Cards

- Increase in available payment options for buyers
 - Travel suppliers issue own payment cards
- Harmonisation of payment card transactions
- Easier cross border transactions
- Single payments provider / cross border card issuance
- Decreased costs

Lodge Cards

- Minimal customisation of local market requirements on implementation
- Improved reporting and data management
- Centralized Data interfaces
- Standardised local regulations (tax, labour law, data protection)

Credit Transfers

- Travel suppliers likely to develop more acceptance of debit and credit transfers
- Might regain relevance with e-invoicing
- Emerging more and more into the e-commerce space
- “Push” payment – reduces fraud and need for payment guarantees
- Single banking relationship

NetApp Card Program

- Business Challenges
- Scope
- The Process
- Some Hurdles.....
- The Benefits

NetApp overview

- Creates innovative storage and data management solutions
- US\$ 3.3 billion in revenues
- 7,500+ employees
- 130+ worldwide offices
- Member of Nasdaq 100
- #1 in Fortune GPTW survey (USA)

Business Challenges (1)

- Employee's concern using personal credit for business
- Direct bill and cash advances that require manual processing & reconciliation

Business Challenges (2)

- Miscellaneous purchases using check requests & PO's
- No system in place for pre-authorizing and tracking meeting/event spend

Goals

- Improve Governance & controls
- Contribute to employee satisfaction - GPTW
- Improve spend visibility for vendor negotiations

Scope: Card Products

- T&E
 - Corporate Travel Account (lodge card)
 - Individual Corporate Card (walking card)
 - Meeting card
- Miscellaneous
 - Purchasing card (P-card)

Scope: Regional / Global

- Business need
- Product adoption
- Compliance
- Financials
- Vendor capabilities

The Process

1. Internal buy-in
2. Vendor selection
3. Policies & Guidelines
4. Adoption strategy
5. “As is” → “To Be”
6. Roll-out

Policies & Guidelines

- Policies being updated
 1. Global Travel & Expense Reimbursement Policy (merging “Global Expense Reimbursement” and “Global Travel Policy”)
 2. Employee and Customer Business Gifts
 3. Charitable Contributions (no P-card usage)
 4. U.S. Sourcing & Procurement Guidelines
 5. India Sourcing & Procurement Guidelines
 6. Global Sourcing and Procurement Policy
 7. Procurement Card Policy
 8. Spending Matrix (US, Canada, India, EMEA, APAC)
 9. Meeting/Event Policy (new)
- Partnering with Internal Audit and Sox Compliance groups
- Violation of policy is a violation of NetApp Code of Conduct

The Process

1. Internal buy-in
2. Vendor selection
3. Policies & Guidelines
4. Adoption strategy
5. “As Is” → “To Be”
6. Roll-out

Some hurdles....

- Local fiscal/legal requirements
- Cultural differences / language
- Data protection
- Card distribution
- Company risk
- Communication

The Benefits

- Improved productivity/satisfaction
- Improved reporting for better management and control
- Timely visibility to liabilities/accruals
- Improved purchasing leverage

Questions?

Thank You!