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# TRENDS IN CARD BASED PROCUREMENT

CLIENT CASE STUDIES IN USING  
DYNAMIC LIMIT MANAGEMENT

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# TRENDS IN CARD BASED PROCUREMENT

## Leveraging real-time pre-transaction risk controls to unlock card based procurement efficiencies

NAB’s ePayables capabilities have assisted companies to better access the convenience of credit card purchasing while addressing many of the traditional risk concerns, via leveraging sophisticated pre-purchase risk controls. This first article in a new series focuses on how NAB’s Dynamic Limit Management capabilities has unlocked efficiencies in our clients businesses.

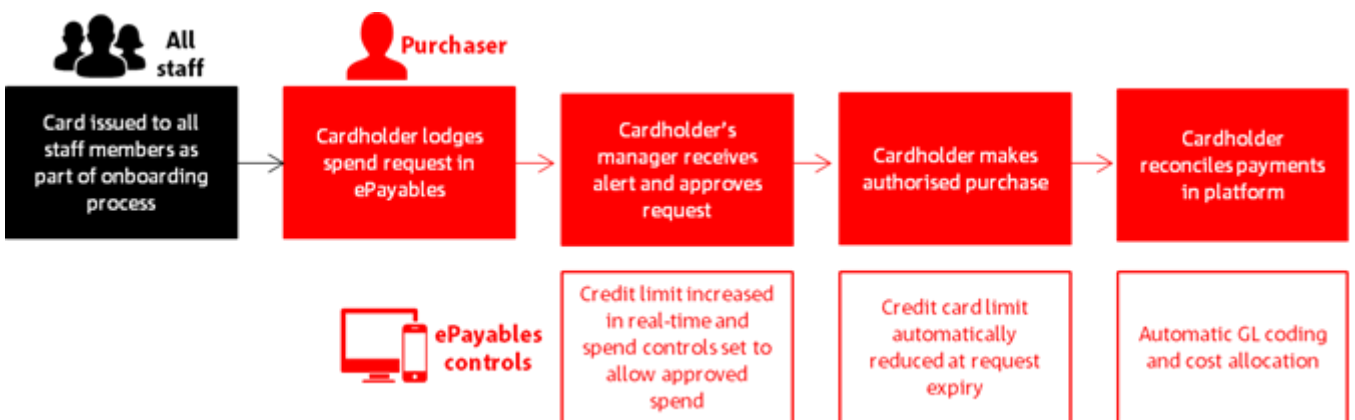
Traditionally in large scale organisations the corporate card as a purchasing tool has been reserved for a select trusted few. An organisation’s purchasing policy will often restrict provision of corporate cards to personnel of a certain seniority or role (i.e. executives or sales people). The underlying rationale behind this has been historical limitations in the risk controls and lack of real-time management capability.

Providing a corporate card has and does carry an element of trust that the cardholder will not misuse it. This is because - historically at least, one of the key limitations of the corporate card is that inappropriate or non-permissible spend usually won’t be detected until after the event. By the time the event is detected the damage is done and

the money has been spent. This has traditionally been the fear that pushes organisations toward less administrative efficient alternatives – such as petty cash, reimbursements or per diem arrangements – for infrequent purchasers, contractors, or more junior staff members.

**Dynamic Limit Management (DLM)** is a capability that NAB has developed to help organisations empower more personnel to make purchases whilst adding enhanced risk controls. DLM enables an organisation to issue zero or low limit cards to all personnel which can then be funded for only specific dollar values, specific durations and/ or specific spend category codes.

### How NAB Dynamic Limit Management works



Source: NAB

## Case Studies: How Dynamic Limit Management has assisted NAB customers

<b>Sector</b>	<b>Marketing / Fast Moving Customer Goods ('FMCG')</b>
<b>Situation</b>	<p>The frontline sales employees working for this marketing company approach retail stores to purchase prominent shelf space for in-store promotions and point-of-sale displays.</p> <p>This process generally requires an upfront payment to the store to start negotiations and to secure the space.</p>
<b>Problem</b>	<p>The marketing company held a global policy of not issuing credit cards to its workforce. This position was formed due to a strong aversion to risk and lack of trust of its high turnover &amp; transient sales workforce (average tenure of less than six months).</p> <p>However, this policy caused problems for the sales employees in engaging with and paying retail stores for the in-store promotions. In many cases the employee would pay the retail store with their own money and seek reimbursement. This was a burden to the low paid staff members who didn't feel they should be using their own funds and waiting weeks for reimbursement, as well as administratively costly for the company to manage.</p>
<b>Solution</b>	<p>The company implemented NAB's <b>Dynamic Limit Management</b> module and issued around 200 zero-limit physical credit cards. They then give the sales employees temporary limits / authority to pay the retail stores, without having a permanent credit card facility.</p> <p>This was supported by NAB's online <b>Corporate Card Self Service</b> module through NAB Connect where the sales employee can request a temporary credit card limit increase as and when required, which is then approved in real time.</p>
<b>Outcome</b>	<p>The sales employees, armed with a temporary credit card limit increase, can pay the store immediately to secure the promotion.</p> <p>Controlling the card limits only as required, and in real time, also minimises risk to the company for unauthorised or inappropriate spending.</p>



Source: Stock image used under licence

*“Controlling the card limits only as required, and in real time, also minimises risk to the company for unauthorised or inappropriate spending.”*  
*- FMCG sector customer*

<b>Sector</b>	<b>Retailer / Wholesaler</b>
<b>Problem</b>	Customer was hesitant to issue cards broadly to workforce due to risk concerns.
<b>Solution</b>	The company implemented NAB's <b>Dynamic Limit Management</b> module and now issues <b>zero-limit physical cards</b> widely but with tight merchant code blocking and limited to low-risk activities aligned to the business need.
<b>Outcome</b>	Company enjoys the convenience of credit cards and gains comfort from the risk controls able to be applied.

<b>Sector</b>	<b>University</b>
<b>Situation</b>	Three-hundred university academics travelling to conferences annually.
<b>Problem</b>	<p>The University's expense management policy precluded issuing credit cards for irregular costs. To travel to the conferences the academics would personally incur all costs which included flights, meals and accommodation.</p> <p>However, the university's expense management policy meant the costs would be paid personally by the academics who would later seek reimbursement from the university. These costs could impose a significant liability on the cashflow of the academic, including risk of losing receipts.</p> <p>The reimbursement process was then be time-consuming for both the academic and the university's accounts team.</p>
<b>Solution</b>	<p>The company implemented NAB's <b>Dynamic Limit Management</b> module and issued around 200 physical zero-limit credit cards to university employees.</p> <p>This was supported by NAB's online <b>Corporate Card Self Service</b> module through NAB Connect where the academic requests a temporary credit limit increase to cover the expected costs, which is approved in real time.</p>
<b>Outcome</b>	<p>The academic is no longer personally liable for the upfront costs and no longer needs to seek reimbursement while the university's accounts team is no longer required to process reimbursements.</p> <p>Also controlling card limits and their duration in real time minimises risk to the university for unauthorised or inappropriate spending.</p>



Source: Stock image used under licence

*“The academic is no longer personally liable for the upfront costs...and the university's accounts team is no longer required to process reimbursements.”*  
*- University sector customer*

<b>Sector</b>	<b>Not-for-profit / charity</b>
<b>Situation</b>	The institution's employees undertake travel on a very irregular basis however the institution had provided them with standard corporate credit cards with relatively high credit limits.
<b>Problem</b>	An audit revealed that some purchases had been inappropriate, excessive or against policy.
<b>Solution</b>	<p>The Institution adopted NAB's <b>Dynamic Limit Management</b> module and significantly reduced the credit limits on all cards.</p> <p>As such, cards of a lower limit, many \$0, were issued and then employees would request funds for Travel and provide the travel details. They would do this either via their smart phone app or desktop to do the request and the requests would then be approved limiting the spend to travel categories to avoid unwanted spend.</p>
<b>Outcome</b>	The institution has gained comfort from controlling its risk exposure. The aggregate reduction in credit limits also enabled the organisation to benefit from more favourable pricing.

## New tools to rebalancing the Risk – Cost – Agility equation in corporate procurement

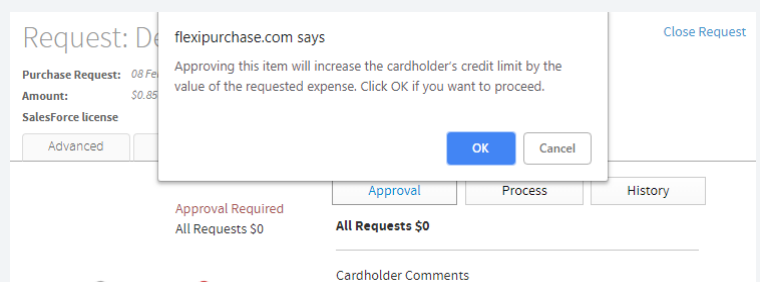
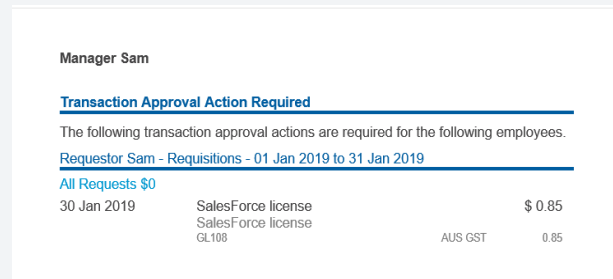
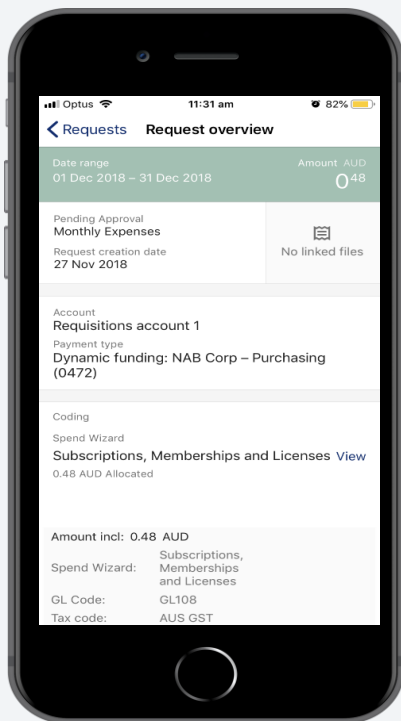
Historically, the speed and agility benefits of cards based procurement was limited by risk concerns, due to only offering post-purchase risk controls (such as a manager reviewing receipts and querying anomalies). A powerful risk control feature of NAB's Dynamic Limit Management module is our pre-purchase controls. The ability for a cardholder to request approval for a specific purchase – via approval for a specific dollar amount, limited to a specific merchant type/ category and time period, combined with a digital customisable real time approval workflow aligned to your internal authorities – opens up the possibility for much wider use of card based procurement across the firm while controlling the risk exposure.

There a classic trade-off and tension between risk controls, cost and speed & agility in getting on with business. While purchase ('PO') order processes are arguably the target standard for risk controls, they can also be

cumbersome and costly. One of the most significant risk benefits of purchase order processes is the various pre-purchase controls in the system, where the legitimacy of the purchase can be validated in multiple ways. However, the unfortunately downside of those controls is that purchase order processes are often slow and even frustrating for the business front line who need to make fast, agile decisions. At times, in NABs experience working with our corporate & institutional clients, the various frustrations with the purchase order process can result in non-compliance with the formal PO process, which then re-introduces the original risks that the process was intended to eliminate.

NAB's e-payables suite of capabilities – including DLM as outlined in this paper - provides new tool to corporate to balance the risk – cost – agility equation for various categories of purchasing & procurement.

### Example: Real-time digital process and approval flow



Source: NAB

# SUMMARY

Dynamic Limit Management is an ideal solution for organisations looking for the convenience and benefits of credit card purchasing whilst managing risk controls.

Please contact your NAB C&IB Relationship Manager or Transactional Specialist should you require additional insight and information

## Meet our experts



**Adam Fogarty**  
Director Transactional Banking  
NSW & QLD

Adam has over 20 years' experience in providing solutions to the Financial Services Industry. Adam draws from his roles in Transaction Banking, Wealth Management, Software Solutions and IT consulting. Adam holds a B.Sc in Mathematics & Post Graduate Certificate in Finance.



**Adam Nobbs**  
State Director Transactional  
Banking WA & SA

Adam has been in the banking industry for the past 16 years, with the last 12 years spent specialising in relationship management of key transactional banking clients within the Government and Institutional sectors.



**David Johnston**  
Director Transactional Banking  
Vic

David has been in banking for almost 15 years working across Asia and Australia in payments and relationship management. He has looked after a number of business segments and has a wide understanding of business models across a large industry base.



**For new clients interested to hear more about how NAB can assist you with your transactional banking needs, please contact:**

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**MARKET LEADING TRANSACTION BANK**  
**AS JUDGED BY OUR CLIENTS**

- #1** Relationship Strength
- #1** Online Banking Platform Performance (NAB Connect)
- #1** Overall Customer Service

Peter Lee Associates –  
Transaction Banking Survey  
2020. Ranking against the four  
major domestic banks.

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