

# BUSINESS BENEFITS SERIES

## BUSINESS BENEFITS SERIES HIGHLIGHTS

- Investment payback in 12 months
- Fast online submission and approval of T&E expenses
- 118% increase in staff productivity, enabling consolidation of T&E processing centers
- 51% decrease in cost of processing T&E reports
- More accurate categorization of expenses, leading to increase in tax deductions
- Detailed monitoring of card usage patterns, reducing business risk
- Comprehensive information supplied to management, improving decision making ability
- Reduced system integration costs; no need for additional hardware

## COMPANY PROFILE

### *MasterCard International*



Purchase, New York  
[www.mastercard.com](http://www.mastercard.com)

MasterCard International is a leading global payments solutions company that provides a broad variety of innovative services in support of global members' credit, deposit access, electronic cash, business-to-business and related payment programs.

**Industry**  
Financial Services

**President and Chief Executive Officer**  
Robert W. Selander

## MasterCard's New T&E Expense System Boosts Productivity 118%; Cuts Reporting Costs 51%, Projects Savings of \$2.8 Million

### EXECUTIVE SUMMARY

It's not surprising that MasterCard International excels at the art of transaction processing. One of most recognized brands for global payments, MasterCard performs more than one trillion transactions each year for a full range of payment programs and services.

Yet when it came to processing the company's own travel and entertainment (T&E) transactions, MasterCard saw room for improvement. Like many organizations, it had a manually intensive T&E system based on spreadsheets and paper receipts. As a result, coordinators at the company's T&E processing centers spent an inordinate amount of time re-entering data to fix submission errors.

With its extensive transaction-processing experience, MasterCard knew it could improve the process by combining an online T&E expense management solution with the MasterCard Corporate Card, thus ensuring greater productivity and efficiency. In addition, the company saw an opportunity to better enforce compliance by using an electronic process that seamlessly integrated card transaction data within the expense report.

In 2003, MasterCard deployed Oracle Internet Expenses, an Oracle E-Business Suite application for T&E reporting and approval. The online application works in tandem with the MasterCard payment system to quickly validate and approve expense reports while flagging unusual transactions for further investigation.

According to study by independent consultant Mainstay Partners, MasterCard has seen a range of efficiency gains since implementing the system, including a 118% rise in labor productivity at its processing centers, a 51% reduction in T&E reporting costs, and 43% fewer IT issues related to the reports. The company has also captured more tax deductions from the system's ability to categorize expenses automatically.

Efficiencies generated by the system enabled MasterCard to consolidate two distinct T&E processing centers into one, and managers said it is helping transform the T&E organization into a more proactive, information-driven team. Assuming current trends continue, Mainstay estimates that the combined MasterCard-Oracle expense management system could generate as much as \$2.8 million in net benefits over five years when compared to MasterCard's previous T&E expense management system.

## ORACLE PRODUCTS AND SERVICES

- Oracle Financials
- Oracle Internet Expenses
- Oracle Human Resources

“ We looked at multiple vendors, but with Oracle we got out-of-the-box functionality. In keeping with the 80/20 rule—anytime you can avoid integration, you have to go with it. ”

**Tim Westendorf**  
Vice President  
Financial Systems  
MasterCard International

## PROJECT BACKGROUND

MasterCard began focusing on ways to improve its T&E system in 2003. At that time, most employees filled out expense reports by keying transactions into a spreadsheet. Besides being time intensive, the manual reporting was error prone, making it hard for workers at the company's two T&E processing centers to keep up with an expanding workload. "We realized it no longer made any sense to continue processing expenses manually when there was a faster, less expensive, more accurate alternative," said Lillian Tropea, vice president, accounting, MasterCard International.

MasterCard officials said they selected Oracle's T&E application—Oracle Internet Expenses—because it was a "mature solution from a mature company." Another selling point was the tight integration between the T&E application and MasterCard's financial and accounting solution (Oracle Financials). "We looked at multiple vendors, but with Oracle we got out-of-the-box functionality. In keeping with the 80/20 rule [Pareto's principle of time management], anytime you can avoid integration, you have to go with it," said Tim Westendorf, vice president of financial systems for MasterCard International. Plus the company could use existing hardware and manage the solution with its current IT staff.

MasterCard moved quickly once the selection was made, taking only 120 days to complete a global rollout, including a brief test period. The company attributes an internal training program held on site, along with Web casts for remote employees, for rapid and widespread acceptance of the application.

## INCREASED PRODUCTIVITY

With MasterCard's new expense-management system, Tropea explained, "employees no longer have to key T&E transactions into a spreadsheet or wait until the end of the month to process expense reports." Instead, cardholding employees log into Oracle Internet Expenses and call up their credit card transaction data, which is sent electronically by the card-issuing bank daily. With just a mouse click, cardholders populate new expense reports directly with the card transaction data, which saves time and ensures that expenses are correctly categorized for tax reporting purposes.

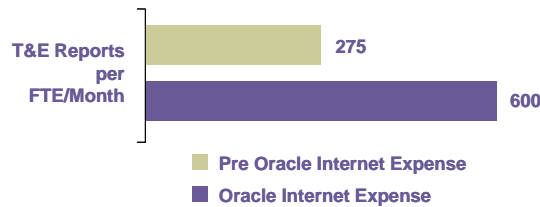
Next, the system's built-in workflow function routes the expense reports to managers for approval and then on to MasterCard's T&E processing center. Because the reports are more accurate, the processing staff spends far less time reconciling and reentering data. As illustrated in Figure 1, MasterCard's T&E staff productivity has risen 118%, with each full-time T&E team member now processing up to 600 T&E reports per month, compared to 300 before the Oracle implementation.

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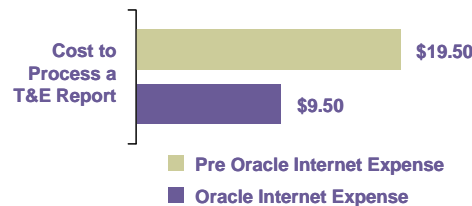
Lillian Tropea  
Vice President  
Accounting  
MasterCard International

**FIGURE 1: PRODUCTIVITY IMPROVED 118%**



The Mainstay study noted a 51% reduction in the cost of processing each expense report—from \$19.50 to \$9.50 (See Figure 2). In addition, the efficiency boost has allowed MasterCard to consolidate its two T&E processing centers, with a headcount savings of two T&E coordinators and 0.5 managers. "Now the T&E team is empowered to 'think' and provide more value to the organization," Tropea said, "and not just focus on moving stacks and stacks of paper."

**FIGURE 2: COST OF PROCESSING T&E REPORT REDUCED BY 51%**



The study found that the integration of Oracle Internet Expenses with MasterCard's existing Oracle Financials application simplified system security and management, largely because there are fewer systems and interfaces to maintain. It also simplifies the software upgrade path and makes it easier to scale the system as business needs grow.

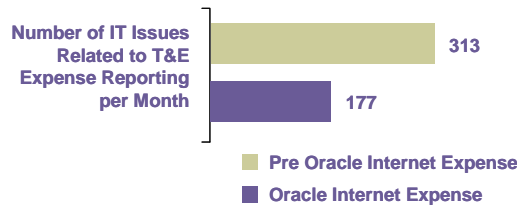
As Figure 3 illustrates, the consolidated footprint has reduced IT support demands significantly. Following a slight adjustment period, the number of monthly support issues related to T&E reporting dropped 43.5%, from 313 to 177 each month.

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// Now the T&E team is empowered to 'think' and add value to the organization and not just focused on moving stacks and stacks of paper. //

**Lillian Tropea**  
Vice President  
Accounting  
MasterCard International

**FIGURE 3: T&E REPORTING ISSUES LOWERED BY 43.5%**

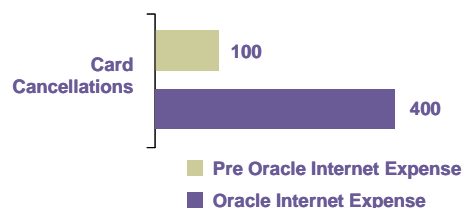


### LOWER RISK, BOOST IN TAX DEDUCTIONS

With the Oracle solution, MasterCard deals quickly with inactive accounts because its processing center analyzes statements from card-issuing banks on a daily basis. Consequently, MasterCard identifies and cancels inactive or dormant accounts quickly, reducing overall corporate liability. Mainstay noted a 300% improvement in managing card cancellations, as illustrated in Figure 4. Compared to the previous system, in which only 100 cards were cancelled each year, today the team is identifying idle or errant accounts—and canceling the associated cards—at a rate of about 400 per year.

The increase in cancellations is a significant safeguard because at any given time MasterCard International has approximately 2,500 corporate cards in use. MasterCard's T&E team can identify and act on questionable transactions almost immediately, reducing potential losses due to fraud. MasterCard also monitors credit and cash advance limits to further reduce risk.

**FIGURE 4: 300% IMPROVEMENT MANAGING CREDIT CARD CANCELLATIONS**



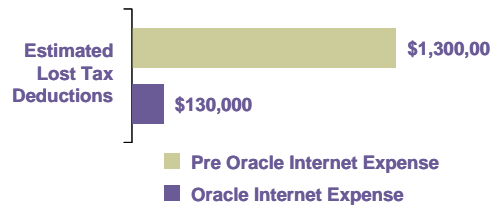
Mainstay found that Oracle Internet Expenses, when combined with MasterCard's payment solution, contributed significantly to improving MasterCard's tax advantage. Today, MasterCard uses the system to automatically assign expenses to the appropriate tax account, saving time and enabling MasterCard to book substantially more tax deductions than before. In fact, since the deployment, MasterCard has reduced the amount of lost tax deductions by 900%, translating into approximately \$600,000 in annual net benefits from improved tax savings and reduced professional fees for outside audits.

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// We are amazed at the enormous impact the combination of MasterCard products, in concert with Oracle Financials and Internet Expenses has had on our business. //

**Stephen W. Orfei**  
Senior Vice President,  
Advanced Payments  
MasterCard International

**FIGURE 5: CAPTURING AVAILABLE TAX DEDUCTIONS IMPROVES 900%**



### THE POWER OF INFORMATION

From a strategic perspective, Mainstay concluded that the deployment has allowed MasterCard to generate more value from its spending information. By analyzing the wealth of time-and-expense data in the system, the company can provide crucial intelligence to senior management and improve decisionmaking.

"Intuitively we felt that using Oracle Internet Expenses with the MasterCard suite of products would generate value," said Stephen W. Orfei, senior vice president, advanced payments at MasterCard. "We are amazed at the enormous impact the combination of MasterCard products, in concert with Oracle Financials and Internet Expenses has had on our business."

### BENEFITS SUMMARY

Assuming current trends continue, Mainstay estimated that the combined MasterCard-Oracle expense management system has the potential for generating as much as \$2.8 million in net benefits over five years when compared to MasterCard's previous T&E system.

Table 1 summarizes the costs and benefits of the Oracle deployment projected over five years. The total five-year investment of about \$600,000 includes the costs of Oracle licenses, annual maintenance, consulting, and internal labor. Total benefits of \$3.4 million include labor productivity and tax savings projected over five years<sup>1</sup>.

Figure 6 shows Mainstay's cost and benefit projections year-by-year over the investment period<sup>1</sup>. According to the study, MasterCard's investment paid for itself about 12 months after the system was deployed.

<sup>1</sup> Projections assume continuation of current trends. Actual results may vary.

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### ABOUT THE BUSINESS BENEFITS SERIES

This study is one of a series of investigations into the costs and business returns of IT investments, with a focus on Oracle technology and applications. It is intended to serve business executives and managers who are evaluating technology investment options.

Research and analysis for this study was conducted by Mainstay Partners, an independent consulting firm, and was based on interviews with executives at MasterCard International, review of company planning documents, and searches of industry literature. ROI calculations use industry standard assumptions regarding the time value of money.

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### DISCLAIMER

The information in this document is provided for illustrative purposes only and should not be relied upon in basing any purchasing decision. In particular, please note that the figures cited in this document regarding anticipated savings from implementation of the Oracle Internet Expense system are projections and do not reflect historical data. Further, this model is based on assumptions that may not turn out to be correct. The model in this document is based on a specific business, which differs from your business; therefore, and the specific ROI and anticipated benefits to your organization, if any, will vary. MasterCard International makes no representations or warranties, express or implied, about results or benefits that may be achieved from use of the Oracle Internet Expense system and specifically disclaims all representations and warranties with respect to the information contained in this document. The reader assumes sole responsible for determining the suitability of the Oracle Internet Expense system for its own business.

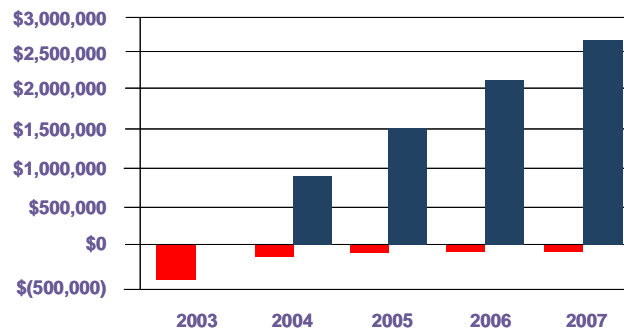
Table 1  
Estimated Costs and Benefits Over Five Years<sup>1</sup>

COSTS	
Oracle Licenses <sup>2</sup>	\$150,000
Annual Maintenance	\$140,000
Consulting Costs	\$150,000
Internal Labor <sup>3</sup>	\$158,393
<b>Total 5 Year Investment</b>	<b>\$598,393</b>
BENEFITS	
Headcount Savings	\$1,016,000
Other Quantifiable Savings <sup>4</sup>	\$2,400,000
<b>Total Benefits</b>	<b>\$3,416,000</b>
<b>TOTAL 5 YEAR NET BENEFITS</b>	<b>\$2,817,607</b>

1. Costs and benefits are estimates only; actual results may vary.
2. Oracle Internet Expense less rebate for previous software of \$30,000. No additional hardware required or retired.
3. Includes IFS, GTO, business analyst and training costs.
4. Includes increase in documented claimable business expenses deductions, and the current costs of research etc. resulting in approximately \$600,000 per year in savings.

Source: Mainstay Partners/MasterCard

FIGURE 6: FIVE-YEAR ESTIMATED RETURNS



Actual results may vary

For more information about MasterCard ExpenSys on the Oracle platform, please send an email to [eB2B@mastercard.com](mailto:eB2B@mastercard.com).