mBurse

CASE STUDY

Tech Company Saved $112K Annually

After Re-evaluating their Fuel Card.

Rising business travel expenses prompted a technology company to create an initiative to identify waste and reduce costs.

The Problem

During this cost-reduction initiative, a business analyst noticed that the costs of the fuel card provided to the sales team were steadily increasing and outpacing gas prices. This fuel card was intended to supplement a monthly taxed car allowance and offset the high costs of business travel. However, over the previous 18 months, the amount of fuel consumed had risen significantly. The company was facing a 135% increase in costs from year to year without a comparable increase in sales.

To reduce overuse of the fuel card, the company began to limit the days on which employees could purchase fuel. The new policy prohibited the use of the fuel card on Fridays and Mondays, which reduced costs by about 24%. Management then decided to explore further ways to reduce expenses and contacted mBurse to develop alternatives to their current car allowance and fuel card policy.

Our Solution

mBurse divided the analysis into two parts: car allowance costs and fuel costs. The analysis was then benchmarked to different options. The car allowance analysis was straightforward, discovering more than $166K of annual waste in taxes.

Fuel card analysis was more complex, categorizing employees by fuel card use, territory size, and vehicle type. Interestingly, this analysis revealed that one group of 10 employees was responsible for 50% of fuel card use. This group of employees drove full-size SUVs. The other 40 employees drove a range of compact to full-size vehicles.

To address shortcomings in both the car allowance and the fuel card, mBurse recommended a non-taxable car allowance combined with a standardized, cents-per-mile fuel reimbursement. This was the only way to ensure that everyone was treated fairly while truly controlling costs; otherwise, the company would be at the mercy of each employee's personal choice of vehicle. The new policy would reimburse each employee based on the expected expense of one standard, appropriate vehicle. After determining what a reasonable-sized vehicle for the job would be, mBurse started to benchmark the costs of that standard vehicle to the current policy. Preliminary ROI analysis showed that a partnership with mBurse would reduce costs by 25% while creating an equitable policy for the company and its employees. Between eliminating tax waste and standardizing fuel reimbursement, the mBurse Plan would yield $235K in annual savings.

Here's why it would work: The current policy paid each employee a $600/month taxable car allowance (plus $46/month for FICA/Medicare). This allowance took no consideration for position, territory, or demographics. After taxes, employees averaged a net of $368/month. Adopting a non-taxable reimbursement plan would therefore eliminate $278/month in tax waste. This new policy would also eliminate inequities created by the $600/month allowance. Different employees were experiencing different levels of expense while receiving the exact same monthly amount. In any given month, some employees might be sufficiently compensated while others with higher expenses might not.

The company could actually save money while paying a smaller allowance yet deliver a higher net amount to the employee because taxes no longer ate up a portion of the allowance.

The mBurse solution meant saving both the employees and the company money while ensuring that the travel reimbursement accounted for the varying expenses of different role-players in the sales department. The company could actually save money while paying a smaller allowance yet deliver a higher net amount to the employee because taxes no longer ate up a portion of the allowance. And doing away with the fuel card meant that an employee who drove a Hummer would no longer get a higher fuel reimbursement than an employee who drove a Prius.

The Results

Outsourcing the car allowance program to mBurse brought savings to the company and increased reimbursement to the employees. The company chose to redistribute the majority of the savings to the employees, which was consistent with their financial objectives. Employees on average received an increase of 10.43%, and even after redistribution of savings, the company still saved a net total of $112,000 during the first year—a 624% return on investment!

Mobile employees trust their employers to compensate them sufficiently and fairly. mBurse enables companies to address both of these needs, laying a foundation for secure long-term growth.

Conclusion

Businesses often issue a fuel card to address fluctuations in gas prices. However, this approach drives up costs and creates inequities based on employees' vehicle choices and driving habits. A geographically based non-taxable car reimbursement combined with a cents-per-mile reimbursement can address employee needs more equitably while controlling costs.

This case study features an mBurse client that requested their name removed dues to their privacy policy of endorsing vendors.

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