mBurse

CASE STUDY

Coffee company saved $635K annually

Transitioning from the IRS mileage rate.

In-Depth Analysis and Creative Solution Result in $635K Annual Savings

Problem

A large nationwide coffee company was experiencing financial duress due to an unusual combination of events. These events ultimately had a negative impact on the effectiveness of their auto reimbursement policy. The incumbent policy reimbursed employees based on the IRS Mileage Rate. When the rate decreased, the company assumed its annual costs for business travel would also decrease.

Instead however, they accrued an increase of more than $800 thousand from the previous year. They didn't understand the connection between the lower rate and higher costs, and so the company proposed cutting their per mile rate in half, to contain the budget. This lower rate would reduce costs, but also, understandably, upset employees. The company sought professional consultation to discuss equitable alternatives to this situation.

Solution

Through in-depth analysis of their current practices, additional areas of concern became apparent. mBurse identified a direct correlation between increased fuel prices and recorded business mileage. By reviewing annualized totals of the current year and comparing them to those of the previous year, a trend was identified: when fuel prices increased, recorded business mileage also increased.

mBurse recommended the "Smart" Mileage Rate to assist with controlling costs. Rather than an arbitrary reimbursement rate, the "Smart" Mileage Rate is based on a variety of factors: standard vehicle fuel efficiency, current fuel prices, and ownership costs within each employee's territory. Reimbursements would increase and decrease each month based on the movement of fuel prices. This variable rate plan offered a standardized solution that was fair and equitable, with complete transparency to the employees.

Result

mBurse's "Smart" Mileage Rate saved the company more than $635K. The cost savings were noticed immediately. Within 60 days, there was a significant reduction in the number of business miles recorded. Within 90 days, the company noted a 20% reduction in reported mileage. Through the "Smart" Mileage Rate, management eliminated the overpayment of high-mileage employees, while controlling the number of miles recorded.

Employees soon recognized that there was disincentive to mileage buffering, since reimbursements were dependent upon current fuel prices. While employees were not initially thrilled with the change in policy, they eventually recognized that the reimbursement was fair and understood the reason for the policy. Each employee received their own rate schedule defining exactly what they were being reimbursed for.

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Conclusion

mBurse's experience and expertise create smart business travel alternatives to solve complex problems, ensuring fair, equitable, and fiscally responsible solutions.

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

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