

Expand card program to complement company growth



The success stories of industry peers can help you optimize the value of Visa® Commercial card integration in your own organization. This case study highlights how a Procure-to-Pay and Commercial Card Program Optimization analysis helped one mid-size company.*

Company Profile Agriculture company

This middle market agriculture company has grown rapidly over the past five years. Growth has been stimulated both by increased demand for the company's core products as well as through acquisition. The company currently has more than 20 field locations making independent purchasing decisions. Additionally, its accounts payable group is now part of a newly created shared services organization.

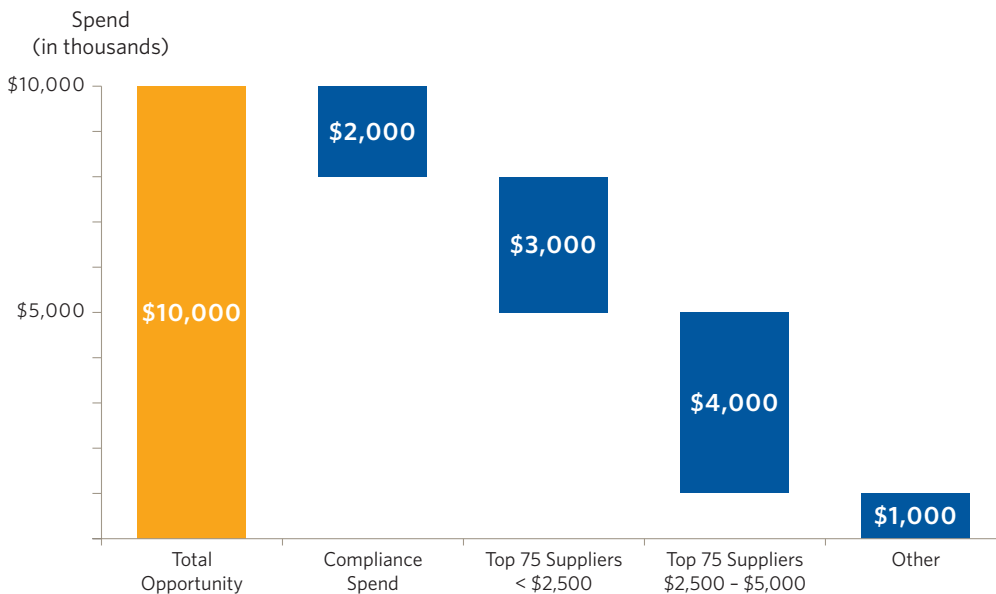
Payments Challenge

Use commercial cards as a key procure-to-pay strategy

At the time of the analysis, the company used cards for about 27,000 transactions per year or two percent of overall indirect spend. Even with limited usage, they were enjoying process savings of \$405,000. With new senior finance executives joining the company, increased focus was being placed on standardizing processes, implementing greater controls and compliance.

While the company does not manage a group of preferred suppliers, currently \$2 million of its spend is paid by check to suppliers who also accept Visa payment. The company has implemented issuer reporting and reconciliation tools for the card program, but new investments in systems and procurement processes have created an opportunity to reevaluate the procure-to-pay process and expand the usage of commercial cards.

* For information about the analysis study methodology, see Study Overview on page 4.



The analysis identified an estimated \$10 million card expansion opportunity.

This graph quantifies the additional card program opportunity in total and by initiative.

Visa Commercial Card Program Goals

Reduce costs and increase card program benefits

The company wanted to expand its card program to realize additional efficiencies. To identify increased savings opportunities through Visa payment and the implementation of best practices, the company's issuer and Visa conducted a Program Optimization Review using Visa's Best Practices Diagnostic,¹ Accounts Payable Analysis, and Industry Benchmarking tools. The review was designed to provide:

- Quantitative analysis comparing the company's supplier list against the database of Visa accepting suppliers
- Card program expansion strategy
- Best practice analysis comparing the company's procure-to-pay program to others of similar size in the agriculture industry

Actionable Recommendations

The unique organizational structure and independent corporate culture of the company created an opportunity to expand the use of commercial cards as an important procure-to-pay strategy:

- Conduct an internal campaign to communicate the benefits and ease of using commercial cards at all field locations
- Educate, promote and publish a list of preferred suppliers that also accept Visa
- Incorporate card payment in Master Services Agreements with preferred suppliers
- Enable Accounts Payable to reinforce the process by sending back invoices that could have been paid by card
- Focus on converting the top key suppliers that accept Visa to yield 90% of the estimated \$10 million expansion opportunity

¹ Patent pending.

- Mandate card payment for all purchases with suppliers currently paid by card
- Pay all transactions less than \$2,500 with the top 75 Visa accepting suppliers by card to create an almost \$3 million expansion opportunity
- Increase the upper limit of transaction size to \$5,000 and the expansion opportunity grows by an estimated \$4 million
- Incorporate card payments with future systems and procurement process designs

Additionally, card best practices were recommended that could reduce costs and streamline internal processes:

- Establish new policies to support expanded card use such as mandates and implement a training program to maximize policy compliance
- Share card program performance with senior management to increase support and promote card usage

Taking Action

Upon receiving the Program Optimization Review results, the agriculture company implemented several best practice tactics to grow its card program and increase efficiencies:

- Conducted extensive training and internal outreach with all company locations to expand the use of card payments
- Optimized the use of cards with existing suppliers, targeting those with a high volume of low dollar transactions
- Standardized payment methods with key suppliers and tracked card program performance through monthly scorecards
- Began the development and implementation of an e-Procurement system integrated with card payments

Want to learn more?

The Visa Program Optimization Review can help you identify opportunities for your company. For more information, or to request related materials and tools, please contact your financial institution today or visit visa.com/programoptimization.

By increasing the transaction size to \$5,000, the expansion opportunity increases by an estimated \$4 million.

Study Overview

Helping companies improve performance and maximize benefits from their Visa Commercial card program.

Visa and its issuers offer a program designed to identify opportunities for clients to improve procure-to-pay operations and increase savings through their card programs. The Program Optimization Review,² which requires minimal time and effort, helps clients benchmark their procure-to-pay process against best practices,³ identify opportunities to realize both hard- and soft-dollar savings from process efficiencies, and explore Commercial card program expansion tactics.

The Program Optimization Review uses a variety of analytical tools that help define a plan and the financial impact estimate for the expansion of Visa Commercial card programs:

Best Practices Diagnostic

This tool is designed to help a company understand how to improve its current procure-to-pay process and technology. A customized diagnostic report rates the company's practices against a baseline of best practice metrics and processes, and identifies areas for improvement. In addition, specific best practices are recommended to help improve work efficiencies and reduce operating costs.

Accounts Payable Analysis Tool

This tool helps companies analyze spend patterns and develop both strategic and tactical Commercial card program implementation or expansion plans organized by commodity, business unit and supplier. Additionally, the built-in ROI calculator estimates the financial benefits they can realize through the card program. Companies can set program goals over a three-year timeframe for the Commercial card program expansion.

Industry Benchmark Analysis

Visa's Industry Benchmark Analysis evaluates a company's purchasing and corporate card performance against a select peer group of companies of similar revenue size in the same industry. It provides key performance metrics, industry averages, and quartile scoring. Companies can use this information to help them establish goals and performance targets to streamline operations, increase efficiency and reduce costs.

2 The tool and reports referenced in this overview are intended for informational purposes only and should not be relied upon for marketing, technology, legal, regulatory, tax, financial or other advice. The information is not intended to advise you of strategies applicable to your specific situation, but rather to highlight issues for your consideration. Therefore, you should consult your own advisors. Visa is not responsible for your use of the tool, studies, reports, and information, including errors of assumptions or conclusions of any kind that you might draw from its use.

3 Visa commissioned Deloitte to conduct a 2008 global study of 60 large corporate and mid-size companies considered to have leading procure-to-pay practices. Over 60 best practices were developed which span the entire procure-to-pay process, including administration and use of a Commercial card program.