



Visa Middle Market Commercial Card Case Studies

The middle market segment in the United States presents a huge opportunity for Issuers in the commercial card business. Visa research has found that only 7 percent of companies with revenues between \$10 and \$250 million have a Purchase card program, while about 60 percent have a Corporate or travel and entertainment card.

Visa's product strategy for penetrating this segment is the Visa Commercial card, or one card, with multi-functionality: a single platform solution that facilitates procurement, travel and entertainment, and fleet transactions. Recently, Visa hired Deloitte & Touche to conduct a review of purchase, payment, travel, and expense management processes of 6 mid-size companies who had been running Commercial card programs for 6-12 months with a major Visa Issuer.

Through this study, Visa wanted to sample businesses that had recently implemented Visa Commercial card programs to evaluate the level of success and opportunities for improvement. Although Visa realizes that this survey does not represent a statistical sample, it is felt that it would be valuable to share the findings with Issuers. Future plans include conducting a much larger survey of mid-size companies and developing best practices surrounding the use of commercial cards.

How The Study Was Conducted

A detailed written survey prepared by Deloitte & Touche was completed by the person at the company most involved with the day to day management of the Visa Commercial card program. A team of 2-3 consultants then spent 1-2 days on-site interviewing key players such as the top manager or owner, finance managers, accounting and operations managers, and purchasing agents.

Description of Companies

The companies in the study were either privately-held, public, or non-profit and came from industry segments such as manufacturing of metal products, distribution of flooring, sales and refurbishment of aircraft, providers of medical insurance, and religious church groups. Located in various parts of the United States, their revenues ranged from \$7 to \$87 million and employed from 50 to 140 people. Average monthly card spending ranged from \$14,000 to \$23,000 with individual card limits ranging from \$500 to \$30,000. Some companies had established single transaction limits; the largest single transaction reported was \$8,000.

Key Findings

Bank relationships are important -- In 3 out of 6 situations the decision to start a new Commercial Card program was tied up with a decision to move the entire company banking relationship to a new bank. The Commercial card is considered a significant service in line with lending and other treasury services.

Merchant acceptance was excellent - All the companies found that most, if not all, of their vendors accepted Visa Commercial cards. In fact, some found it much easier to use the Visa program, since they did not have to establish an account with the vendor nor issue a purchase order before the purchase could be made. The only vendors they did not pay with a Visa card were those with whom they had established preferred pricing through a direct bill relationship.

Expectations were met - Key expectations of the Commercial card program were predominantly met; all the companies were satisfied with the product. Expectations included: better control over spending, user convenience, reduction in cash advances and petty cash needs, less paperwork, transaction savings, reduction in check requirements, payment by ACH, and overall reduction in administrative work tied into payments.

Financial control is a key motivator - The primary decision to adopt the Commercial Card was the need for financial control. Tight controls are in place to protect ownership interests, especially in sole proprietorships and partnerships. Financial control justifies expense management policies requiring all receipts and intense and detailed audits.

Expense management is important -- Most of the companies said that they had experienced cost reduction in the form of eliminating cash advances, reducing paperwork for expense reimbursement, and speeding up the process of reconciliation because of the single statement feature.

Other cards were canceled - Previously, some of the companies had established other card programs, such as gas cards and corporate cards with other banks. These were canceled, since the new Commercial Card feature enabled the companies to meet all their needs through a single card program.

Card administration resources are limited - Key employees filled multiple management roles such as finance, accounting, information technology, purchasing, and human resources. Their time is limited so that any new financial services need to be easy, user-friendly, and require minimum administration.

Technology use is minimal -- None of the companies were extensive users of technology. Few used integrated back office applications, and most were not aware of Commercial card data management features. Cash advances, expense reports, audits, employee reimbursements, and reconciliations tended to be manual processes requiring hardcopy documents. Internet procurement was limited primarily to booking travel via airline websites.

Web-based reporting is important – Although technology use was minimal, on-line reporting of transactions and history was important to the sale of the Visa Commercial card. Clients recognized that cost and time savings could be achieved through use of web-based tools.

Data management is minimal -- Procurement management was not a common business practice. The companies did not analyze procurement trends in order to aggregate spend and manage vendor relationships, even when information management tools were available. However, many did recognize the value of this information and did plan to use it in the future.

Travel management was dispersed throughout the organization to various administrative support staff, so that companies did not have a true estimate of the time and effort dedicated to travel administration.

Policies and training are informal – None of the companies had distributed written policies and procedures to employees for use of the Commercial card. However, most had verbally communicated spending policies. Training materials provided by the Issuer were appreciated but not used extensively, primarily due to time constraints. However, the comprehensive documents were reported as useful reference tools.

Comments from the Companies

“Once the card was in place, we experienced efficiency gains in processes that were not expected.” President, Regional Distributor of Flooring Products

“The Commercial Card is the only way to do business.” Sales Manager, Regional Distributor of Flooring Products

“Our main objectives with the Commercial Card program were to have better internal controls, streamline the process, and have data available to conduct better vendor negotiations.” Accounting Manager, Medical Insurance Provider

“The Commercial Card has reduced the administrative burden for the entire universe of people.” President, Regional Distributor of Flooring Products

“Since implementation, we do not have to get hundreds of dollars in cash, usually in the spare of the moment. It has made life easier.” Office Manager, Sheet Metal Fabrication and Sales

“One of our goals was to cut down on the number of checks we write to vendors, and the Commercial Card has helped us accomplish this goal.” Business Administrator, Non-Profit Organization



Visa Commercial Card Case Study Medical Insurance Provider

Company Statistics

Revenue:

\$87 Million

Average Spend on

Cards per month:

\$16,344

Monthly Credit Limit:

\$77,500

Card Restrictions Used:

Account Credit Limits
No Cash Access on Card

Employees:

140

Number of Commercial

Card Accounts:

43

Billing Options:

Central Bill
Individual Statements

Payment Options:

Central Pay via
Automated Clearing
House (ACH)

Client Business and Card Use Approach

This client is an organization that offers insurance to medical practitioners. The member doctors own the company, and surplus funds are distributed each year. Use of the Visa Commercial card is focused on travel – making travel easier for the employees. The card is also used for limited purchasing needs, as each department has a designated purchasing employee with an assigned commercial card.

Goals for the Visa Commercial Card Program

This insurance provider selected the Visa Commercial card program:

- To increase spending controls
- To develop better leverage for vendor negotiations
- To streamline and improve purchase-to-pay processes
- To implement an online application for management of commercial card spending

Value Received

This client previously had a purchasing card program and implemented the Visa Commercial card program because of its forward-thinking approach to management of spend. This client is very satisfied with the additional benefits of the commercial card program and the value experienced through implementation of the online reporting and administration functionality:

- Transaction costs have been reduced through:
 - Reduction in number of checks to vendors
 - ACH payment of a single bill to the card Issuer
 - Use of department commercial cards
- Implementation of online features has resulted in:
 - Streamlined processes through download of spend data for upload to financial software
 - Reduction in reconciliation time
 - Ability for employees to review individual account spending
 - Ability of finance to review account spending levels and adjust credit limits online
- Improvements in vendor negotiation through use of online reporting functionality:
 - Analysis of spend is used to reduce number of vendors on preferred vendor lists
 - Spend data is used to negotiate better rates with vendors
- Spending controls have been increased through:
 - Audit of expenses for use of preferred vendors and negotiated rates
 - Spend tracking through individual account statements and online reporting, including date, location, cost, etc. for each transaction