

VISA COMMERCIAL SOLUTIONS 
GLOBAL PROCURE-TO-PAY AND COMMERCIAL CARD
BEST PRACTICES EXECUTIVE SUMMARY

Profit from the experience of **best-in-class** companies.



Today's most successful companies have shifted more profit to the bottom line by adopting commercial card programs and automated Procure-to-Pay processes. They have eliminated cumbersome paper-based payment activities. Streamlined operations. Increased visibility into corporate spend. Enhanced decision making. And maximized control and compliance.

Now you can benefit from these companies' wisdom and experience. And use their example to help your company achieve its goals. This report highlights key findings and emerging trends found in the comprehensive *2008 Visa Global Procure-to-Pay and Commercial Card Best Practices Study*. The information was selected from leading companies that have implemented commercial payment systems. So you can learn from the best.

Following are just a few examples of what these best-practice companies in a range of industries were able to achieve:

- A \$30+ billion global media and entertainment company achieved over \$100 million in annual cost savings by strategically sourcing direct and indirect spend categories.
- An \$800 million global manufacturing company was able to reduce its supplier base 70 percent from 4,500 to 1,300 through rationalization and formal supplier management. Of the 1,300 remaining suppliers, the top 100 suppliers represented over 80 percent of the company's total spend.
- A \$2.5 billion global technology company established a goal of moving all suppliers to electronic forms of payment, including EFT and purchasing card. In just over one year, the company had shifted 85 percent of its payments to electronic methods.
- A \$7.5 billion global manufacturing company realized over \$350,000 in process savings by moving non-Purchase Order transactions under \$1,500 to the purchasing card.

Thought leadership you can trust

Continuing a long tradition of commitment to thought leadership in global commercial payments, Visa commissioned Deloitte Consulting to conduct the *2008 Global Procure-to-Pay and Commercial Card Best Practices Study*. In this latest study, you'll gain valuable insight from research and market intelligence to improve business processes.

Past studies revealed how procedural shifts led to significantly improved business performance and profitability. Best practices included:

- Implementing an automated end-to-end financial process
- Using supplier relationship management tools
- Incorporating full data integration to provide enhanced reporting and spend analytics
- Adopting control and compliance measures

These changes in business practices remain important and continue to be recommended in the current Best Practices Study. However, in 2008, new best practices have emerged as equally critical, particularly in the areas of:

- Creating visibility and mainstreaming commercial payment initiatives
- Socializing initiatives with corporate executives and staff
- Utilizing cross-functional teams with centralized management
- Implementing full systems integration with enterprise applications
- Committing to ongoing program optimization

The objective of the 2008 study was to better understand changes in commercial payments best practices across the entire Procure-to-Pay process and within commercial card programs. Analysis of the Procure-to-Pay process covers sourcing, order placement, payment and settlement, reconciliation, control and audit, and reporting. And for commercial card programs, the focus is on strategy, management and reporting.

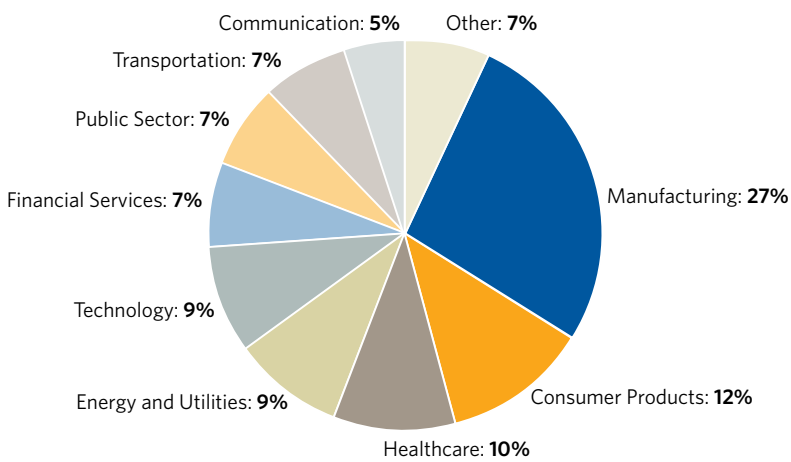
The result: a comprehensive review of global best practices you can use to help ensure that your Procure-to-Pay process and commercial card program match the best in the business.

Designed for maximum utility

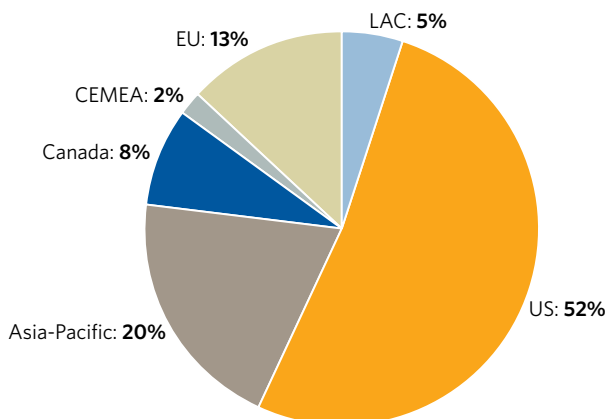
Study methodology was designed for wide reach, inclusive coverage and broad application. Visa commissioned Deloitte Consulting to conduct 90 in-depth interviews in the summer of 2007 with more than 60 global/multinational, mid-size and large corporations as well as federal and local government agencies across the world. Interviewees included Regional Controllers, Chief Procurement Officers, Directors of Strategic Sourcing, Procurement Managers, Accounts Payable Managers, Global/Regional/Local Commercial Card Program Managers and Travel Managers.

Study participants had a range of commercial card programs in place, including purchasing card, corporate card and commercial “one” card programs with each of the top three card providers: Visa, MasterCard and/or American Express.

Study Participants by Industry



Study Participants by Region



Learn from industry leaders

The *2008 Global Procure-to-Pay and Commercial Card Best Practices Study* uncovered key findings and emerging trends that can help improve your card program and Procure-to-Pay process.

1 Align with corporate goals

Integrate commercial card program objectives into enterprise-wide performance improvement initiatives. Integration allows for consistency in strategy and execution. And encourages companywide compliance. Key emerging trends:

- *Integrate the commercial card into enterprise-wide cost reduction initiatives.* Executives at leading companies have adopted cost-saving goals of 5 to 15 percent and view the commercial card as a mechanism for achieving those goals.¹
- *Integrate the commercial card into corporate green initiatives.* Leading companies are increasingly focused on reducing their carbon footprint. They have incorporated card programs as a way to reduce dependence on paper.

2 Secure buy-in at the highest levels

Gain ongoing support from senior management and key stakeholders. By encouraging key executives to actively participate in the development and implementation of the Procure-to-Pay and commercial card strategies, the programs gain companywide credibility and stature as a critical means of achieving corporate performance goals.

Key emerging trend:

- *Share performance scorecards with senior management.* Leading companies know that keeping open communication with senior management is critical for program success. This is why best practice companies schedule regular meetings to share program performance.

3 Make Procure-to-Pay a center of excellence

Establish center-led management of the Procure-to-Pay process and commercial card program. Centralized management allows companies to align goals, improve cross-functional communication and drive process standardization.

Key emerging trends:

- *Create a dedicated Procure-to-Pay shared services organization.* Improve communication between employees who perform different job functions by establishing central program management. Over 90 percent of study participants had established a centralized shared services organization.

After implementing a purchasing card program, one study participant was able to reduce its carbon output by almost 150 tons. This savings was based on the reduction of 38 million sheets of paper associated with check transactions.

¹Survey of Fortune 500 Financial and Operational Executives, Deloitte Consulting, 2007.

- *Establish employee performance goals.* Ensure employees understand and follow uniform program procedures by developing specific performance metrics that align with your company's overall Procure-to-Pay objectives.

4 Automate from start to finish

Implement an end-to-end automation strategy for every step in the Procure-to-Pay process. By incorporating technology throughout the entire Procure-to-Pay process, companies can improve process efficiency, enhance spend visibility and optimize internal resources. Companies are implementing Enterprise Resource Planning (ERP), e-Procurement and expense-reporting technologies. The key to success is the integration of all into one smooth operation. Key emerging trends:

- *Employ Electronic Invoice Payment and Presentment (EIPP).* This allows companies to automate invoice receipt and reduce invoice-processing costs.
- *Implement an Evaluated Receipt Settlement (ERS) solution.* This process automatically triggers approval for payment based on a two-way match between Purchase Orders and goods receipts, eliminating the need for invoices.

5 Design program parameters

Establish a commercial card program management framework. Development and communication of a program framework allows companies to address cardholder needs while maintaining a high level of compliance and control. For leading companies, a standard framework typically includes issuance criteria, parameters for eligible purchases, policies, procedures and training requirements. Key emerging trends:

- *Establish mandatory training with testing requirements.* Leading companies not only provide commercial card training to their employees, but also require cardholders to pass a test to ensure the highest level of compliance.

Study participants that implemented mandatory training with testing requirements established a minimum passing score between 80 and 100%.

- *Mandate commercial card use for eligible purchases.* Maximize the benefits of commercial cards, such as increased spend visibility and processing agility, by enforcing employee use of cards for all eligible purchases.

One study participant used Evaluated Receipt Settlement for its large, direct materials suppliers. When combined with the purchasing card program for indirect material suppliers, this process allowed the company to automate over 65% of its payment process.

6 Manage suppliers strategically

Establish a formal supplier management program. Developing a center-led program for the selection and ongoing management of suppliers allows companies to take a strategic view of the supplier relationship. Supplier management programs provide a consistent approach to strategic sourcing, supplier rationalization, negotiation and ongoing performance monitoring. What's more, these programs can provide companies with significant cost savings. Key emerging trend:

- *Develop a contract lifecycle management process.* Leading companies use third-party solutions to support and automate the stages of the contract lifecycle, from drafting to renewals. This creates standardization and consistency of contract terms, ease of management and optimized internal resources.

7 Improve controls

Develop an enterprise-wide controls strategy for your Procure-to-Pay process and commercial card program. A comprehensive Procure-to-Pay controls strategy improves compliance, mitigates risk and ensures successful execution. Address ownership, policies, procedures, technology and audit processes in your controls strategy for greatest benefit. Key emerging trend:

- *Minimize receipt storage requirements.* By integrating the commercial card data into expense management systems, innovative companies minimize the number of receipts they need to retain while ensuring key data for controls is readily available.

8 Evaluate Procure-to-Pay continuously

Commit to ongoing scrutiny of Procure-to-Pay processes to identify improvement opportunities. This ensures the ability to target maximum efficiencies in your commercial payments program and growth in your bottom line. Key emerging trend:

- *Benchmark the Procure-to-Pay process.* Innovative companies use external benchmarks to identify improvement opportunities by comparing themselves to their industry peer group.

One study participant eliminated paper receipt requirements (with the exception of out-of-pocket expenses greater than \$75). The company maintained electronic receipts by integrating the corporate card purchase data, including the hotel folios for bookings made through the travel agency, into its expense management system.

9 Pursue card optimization

Expand review and identification of commercial card optimization opportunities.

Drive ongoing incremental benefit to the bottom line by regularly reviewing the existing commercial card program and usage. This allows you to identify optimization opportunities, including new spend categories, more suppliers who accept card payment and desirable changes in program management (such as issuance criteria, and transaction and monthly limits). Key emerging trends:

- *Identify innovative card uses.* Leading companies identify new commercial card uses, including meeting/event cards, ghost cards, virtual accounts and Accounts Payable cards, to consolidate and control even more of their spend.
- *Communicate card benefits to non-accepting suppliers to encourage card acceptance.* To gain more spend visibility and control, companies are developing formal strategies to increase supplier acceptance. These include methods to identify, prioritize and communicate with non-accepting suppliers.

10 Crunch the numbers

Use enhanced reporting and analytic tools to monitor and optimize spend.

Consolidating data from multiple sources enables rigorous analysis and reporting on the Procure-to-Pay process and commercial card programs. This provides enhanced spend visibility, improved management of supplier relationships, identification of improvement opportunities and monitoring of compliance.

Key emerging trends:

- *Use enhanced data to support supplier negotiations, compliance tracking and tax reclamation.* Leading companies use Level III data derived from their card program spend to help them better understand, manage and leverage line-item purchases. Level III data includes transaction-level details such as number of units, unit description, commodity code and line-item amount as well as travel itinerary and hotel folio details.
- *Capitalize on issuer and/or provider analytical tools and consultative support.* Leading companies use sophisticated analytical tools and expert services offered by their commercial bankers or other third-party providers to identify, implement and measure performance enhancements.

Companies' commercial card program policies and procedures have evolved over the years to keep up with changing market conditions. For example, the average monthly credit limit for the 2002 Best Practices study participants was \$14,800; the average for the 2008 participants had almost doubled to \$26,000.²

Working with its issuer, an insurance company participated in a Visa Program Optimization review, which identified \$12 million in process savings and opportunities to expand the commercial card program by over \$75 million.

²2002 Visa Procure-to-Pay and Commercial Card Best Practices Study; 2008 Visa Global Procure-to-Pay and Commercial Card Best Practices Study.

Get the whole story

The key findings included in this Summary were selected from a collection of 63 best practices from leading companies around the world.

To request the complete *2008 Visa Global Procure-to-Pay and Commercial Card Best Practices Study*, contact your commercial banker.

Note: Survey results, research and practice recommendations are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. When implementing any new strategy or practice, you should consult with your legal counsel to determine what laws and regulations may apply to your specific circumstances. Visa is not responsible for your use of the information, including errors of any kind, or any assumptions or conclusions you might draw from its use.

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