

Learn best practices for finding cost savings and growing card usage.



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 a Fortune 100 company.*

Company Profile

Fortune 100 manufacturer

This Fortune 100 company manufactures and distributes its products worldwide.

Payments Challenge

Long-term focus on enterprise cost improvements

With a recent transition to a new card issuer and consolidation of its purchasing and T&E card programs into a Visa Commercial One card program, this manufacturer wanted to further increase its procure-to-pay efficiencies. The average card transaction size for its 5,700 cards was \$146, which resulted in an annualized spend of \$40 million on its

commercial card program. Based on the Visa Industry Benchmarking Purchasing Card analysis, the company was underperforming against its peer group in terms of monthly card volume. As a result, the company established a cross-functional management team to develop a plan for growing the card program and reducing payment transaction processing costs.

Additionally, within the next twelve months, the company planned to install an automated card reconciliation system and integrate it with its e-Procurement and financial accounting system. To accomplish this, the company needed a way to identify which suppliers would be candidates for the new virtual card account payment process that used this automated reconciliation technology. This required an analysis to identify PO-required and non-PO suppliers that were Visa payment acceptors to develop a transition plan from check to card payment.

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



Purchasing Card Industry Benchmark Report

Fortune 500 Manufacturing	Your Metric	Benchmark	Percentile Quartile Comparison			
			0 - 25th	25 - 50th	50 - 75th	75 - 100th
Monthly total purchasing card spend	\$400,000	\$4,000,000	Red			
Monthly spend per card	\$350	\$3,000	Red			
Monthly transactions per card	2.5	10.0	Red			
Average transaction size	\$150	\$300	Red			
Card-to-employee ratio	5%	10%	Red			
Percent of active cards in a typical month	NA	80%	Red			
Percent of transactions under \$2,500 paid by card	10%	20%		Orange		
Percent of transactions between \$2,500 and \$10,000 paid by card	5%	10%		Orange		

This benchmark is for illustrative purposes, showing how a company's card program performance is measured versus industry peers. Red indicates opportunities for improvement.

Visa Commercial Card Program Goals

Reduce processing costs and increase efficiency

The company wanted to expand its card program to enhance efficiency across its entire procure-to-pay process. 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 Diagnostic¹, 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 and industry

Actionable Recommendations

A Visa Program Optimization Review provided supplier targets and an implementation plan to help the company meet its goals. The recommendations included:

- Align the automated card reconciliation system with the overall supplier sourcing strategy
- Establish targets for card volume, checks, invoices and PO elimination
- Conduct a pilot program and hold focus groups to identify change management strategies
- Develop a phased approach to convert suppliers to card payment
 - > **Phase 1:** Include suppliers with high volume/low dollar transactions
 - > **Phase 2:** Include suppliers with payment terms less than net 30 days

¹ Patent pending.

- Provide buyers with a list of their commodity suppliers that accept Visa payment
- Work with Legal to integrate card acceptance into preferred contract terms
- Develop target lists for suppliers to be paid by plastic card and suppliers to be paid by virtual account through the electronic PO placement process
- Implement an Accounts Payable Department card to pay for invoices that should have been charged to a card
- Implement a Visa Meetings card for large corporate employee and customer events
- Implement a major communications and marketing campaign for all business units to support change in overall procure-to-pay processes
- Change policies and procedures to communicate the preferred order placement and payment method process for various suppliers and spend categories
- Integrate a cardholder training program into the monthly Human Resources new hire training
- Incorporate the card into business continuity planning for emergency situations
- Integrate the card program into the corporate green initiative and communicate the environmental benefits such as reduced paper usage

Potential Program Benefits

As a result of the Program Optimization Review strategizing with its issuer and Visa staff, the company has set the following goals:

- Growth of the card program from \$40 million to more than \$90 million in 24 months
- Assuming a transaction cost savings of \$50 and an average payment size of \$1,500, the company projects to replace 67,000 invoices and checks with Visa payments for an estimated savings of \$3 million during 2008-2009²
- The company also intends to benefit from increased revenue sharing with its issuer based on its expected increased card volume
- Detailed purchase information to be received via the electronic card data file from the issuing bank is expected to allow the company to enhance its supplier negotiation process and give its buyers increased spend analytical capabilities
- Automating the entire procure-to-pay process from e-Procure to ERP system to electronic card payment process offers the company increased control and business management capabilities

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.

The company plans to grow its card program from \$40 million to more than \$90 million within 24 months.

By replacing 67,000 invoices and checks with Visa payments, this manufacturer can save an estimated \$3 million per year.

² Company calculates \$50 per transaction cost savings to change from purchase order, invoice and check processing to card payments.

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,³ which requires minimal time and effort, helps clients benchmark their procure-to-pay process against best practices,⁴ 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.

³ 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.

⁴ 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.