

# Identify cost reductions and expand 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 large market company.\*

## Company Profile

### Retail food company

This retail food company manages a chain of grocery stores located throughout the United States.

## Payments Challenge

### Expand cost saving efforts by increasing use of best practices

Based on analysis using the Visa Commercial Card Best Practices Diagnostic, this retail food company demonstrated that it had a common level of adoption of card usage best practices. With an annualized card spend of more than \$60 million and average transaction size of more than \$170, the company had clearly defined its strategy, but had not set specific goals for card expansion. At the time, supplier cards and virtual accounts were used with key suppliers for warehouse expenses

such as wrapping pallets. Additionally, policies and procedures were available to employees, but had not been updated recently. The company was looking for additional areas where card usage could increase savings.

## Visa Commercial Card Program Goals

### Expand card usage and reduce costs

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<sup>1</sup>, 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 retail food industry

\* For information about the analysis study methodology, see Study Overview on page 3.

<sup>1</sup> Patent pending.

## Actionable Recommendations

While the company had some best practices in place, a Visa Commercial card expansion plan identified an estimated \$29 million card expansion opportunity:

- Expand card program to address payments less than \$1,000, which accounted for more than 70% of check transactions with Visa-accepting suppliers
- Target and expand card use with Top 25 Visa-accepting suppliers with transactions less than \$5,000
- Pursue card expansion opportunities by policy tiers, top suppliers, spend types, business units or average ticket size

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

- Define specific card expansion goals
- Share card program information with senior management to increase support for the program

- Establish mandates on eligible transactions based on commodity types, suppliers, and transaction sizes
- Create card issuance employee profiles
- Identify opportunities to apply best practices to policies and procedures training.
- Implement an e-Procurement system with card integration and use cards to pay invoices in Accounts Payable
- Hold a webinar with key suppliers to communicate the new card payment policy
- Use enhanced card data for future supplier negotiations

### 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](https://www.visa.com/programoptimization).

With an additional 100,000 card transaction opportunities identified, the company can conservatively save a total of \$300,000 with its card program.<sup>2</sup>

The analysis identified an estimated \$29 million card expansion opportunity.

<sup>2</sup> Company calculates \$3 per transaction cost savings to change from 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,<sup>3</sup> which requires minimal time and effort, helps clients benchmark their procure-to-pay process against best practices,<sup>4</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> 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.