

BEST PRACTICES  
EXECUTIVE SUMMARY

**VISA PROCURE-TO-PAY** 

How today's top companies are saving millions of dollars.





## Visa Procure-to-Pay Best Practices

### The Benefits of Best Practices

As part of an ongoing effort to understand and improve the processes of business, Visa Commercial Solutions commissioned Deloitte & Touche and Deloitte Consulting in 2002 to conduct a comprehensive study of procurement and payment best practices for large and mid-size companies nationwide.

Visa Procure-to-Pay Best Practices identifies 54 leading-edge practices – practical ways for companies to gain real-world benefits by optimizing their Procure-to-Pay functions.

On average, companies that have implemented the best practices detailed in Visa's Procure-to-Pay Best Practices have saved from \$1.76 million to \$8.3 million in annual, indirect transaction processing costs (this does not include any potential cost savings associated with vendor discounts or front-end processing efficiencies).

This executive summary highlights the six key findings that are incorporated by those best practices.

**For information on how you can obtain a complete copy of the Visa Procure-to-Pay Best Practices, contact your Visa financial institution.**

How can improved communication between internal business units reduce expenses?

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Why is senior management getting more involved in the Procure-to-Pay process?

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How do companies save 15-20% through Strategic Sourcing programs?

## Leading companies are optimizing their Procure-to-Pay function by incorporating these 6 key findings:

### KEY FINDING 1

#### **Proactive, ongoing senior management sponsorship for Procure-to-Pay initiatives**

Leading-edge companies are more effective in achieving sponsorship by using relevant and realistic ROI measures, sharing information, and actively communicating goals and successes to senior sponsors and throughout the company.

Senior management interest in the Procure-to-Pay process has increased significantly due to economic conditions, an increased focus on cost containment, and a recent focus on employee security in regard to travel.

### KEY FINDING 2

#### **Collaboration to ensure communication and enforcement of Procure-to-Pay policies and procedures**

Although compliance to policies and procedures continues to be a challenge, leading companies are addressing this issue by encouraging business unit partnership. Shared objective and performance measures have led to more formalized ties between business units, resulting in increased compliance to policies and a reduced overall cost structure.

### KEY FINDING 3

#### **Progressive migration to automating the entire Procure-to-Pay information technology platform**

While survey participants in previous studies conceptually understood and strived for an automated Procure-to-Pay process, companies traditionally made isolated technology decisions rather than focusing on a plan to implement an entire solution. Leading companies now take a more pragmatic approach to automation, focusing on the implications to the entire end-to-end platform. They set realistic and achievable ROI objectives, and recognize that the benefits to automation can only be achieved by incorporating process changes into the solution.

### KEY FINDING 4

#### **Aggressive Strategic Sourcing focus to enhance vendor relations**

While companies have traditionally attempted to achieve discounts with vendors, they are learning that a Strategic Sourcing discipline is the most value-added procurement activity. A 2002 Deloitte Research study on Strategic Cost Reduction indicates a potential cost savings of 15% - 25% through a focused Strategic Sourcing initiative. Companies are achieving this through a number of different approaches with all results clearly showing that focused supplier sourcing and management lead to significant bottom-line savings.

## KEY FINDING 5

### **Comprehensive data aggregation and reporting to support management and enable continuous improvement of their Procure-to-Pay functions**

Leading companies understand that data aggregation and reporting is critical to accomplishing any key activity. They also understand that reporting is not a function of the quantity of reports, but a function of the ability to integrate and analyze their data. The sophistication of in-house systems (e.g., ERP, e-Procurement, reporting tools offered by card issuers) has improved to allow companies to obtain greater spend detail from internal systems. Integrating data from multiple sources has provided leading companies with a clearer understanding of the reports needed to support Procurement goals.

## KEY FINDING 6

### **Commercial card objective alignment with a company's overall Procure-to-Pay strategy**

The study found that commercial card program success factors include:

- Integration of the commercial card as a payment vehicle into the overall Procure-to-Pay strategy.
- Comprehensive training programs that help employees understand the benefits realized by the corporation through use of the commercial card.
- Enforcement, consistent with the corporate culture, of the commercial card for eligible commodities and purchases.
- Development of issuance criteria that targets employees who have reason to use the commercial card rather than employing a broad distribution process that would include employees who do not have a need for the card.

## Emerging Procure-to-Pay Trends

The study also identified organizationally focused Procure-to-Pay strategic trends. Today, corporations are working to coordinate Accounts Payable, Procurement, and Strategic Sourcing activities, and are modifying their processes to improve information sharing. Center-led management of these disciplines supports optimal vendor selection, negotiation, and management.

The 52 companies that participated in this study provided detailed insights into their current and future Procure-to-Pay goals. Study responses highlighted three emerging Procure-to-Pay trends.

### e-Auctions

e-Auction applications, if not already in use, will soon be deployed by a larger percentage of this study's survey participants. 17% of study participants have already implemented an e-Auction solution. An additional 22% of participants indicated that they plan to implement e-Auctions in the next two years.

While e-Auctions will continue to play a role in procuring indirect and direct commodities, companies have not developed Procure-to-Pay strategies that optimize use of the commercial card as an e-Auction settlement option.

### Benchmarking

Leading companies have created a group of "benchmarking partners." This group often includes companies outside of their industry, as well as companies with which they may have a complementary relationship (i.e., suppliers or vendors). Some companies will use third-party companies to conduct "blind" benchmarking studies against their immediate competitors. Additionally, leading companies participate in external benchmarking studies (i.e., Forrester, IDC, Gartner, or ISM) on a periodic basis.

### Internet Applications for Booking and Reporting Travel and Entertainment

Use of the Internet for booking travel and generating expense reports continues to increase. Companies report anticipated process savings of 80% as well as a significant reduction in data entry errors. Study statistics indicate:

- 40% of companies surveyed have already implemented Web-based booking; another 10% plan to in the next two years.
- 26% of companies surveyed have implemented automated expense reporting.
- 36% of companies plan to implement an automated expense reporting application in the next two years.

### What This Can Mean for Your Company

Study participants that have adopted the best practices outlined in Visa's Procure-to-Pay Best Practices have achieved significant quantitative and qualitative benefits. Select companies have individually achieved the following:

- 29% discount on negotiated airline rates
- 80% of suppliers are under contract
- 90% of all trips booked through an in-house Web tool
- 90% of all spend with preferred vendors
- 75% of office supplies purchased through e-Procurement
- 71% of payments are automated
- 98% compliance with audit criteria
- 75% of e-Procurement orders paid using the purchasing card

## Methodology and Approach

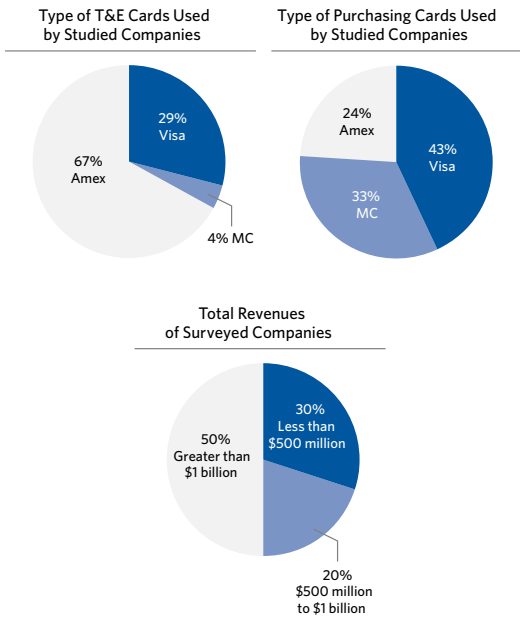
The Visa Procure-to-Pay Best Practices encompasses the entire Procure-to-Pay function (including Procure-to-Pay Foundation, Commercial Card Management, and the end-to-end Procure-to-Pay Process from sourcing, purchasing, payment, allocation, controls, and auditing to back-end reporting), focusing on best practices of large corporate and mid-size companies – their associated benefits, implementation steps, and any experience gathered from actual implementation successes.

Deloitte & Touche identified 52 large corporate and mid-size companies considered to have leading Procure-to-Pay practices. The selection criteria ensured distribution among revenue size, geography, industry, card issuer, and company culture.

A detailed questionnaire was distributed to all companies and 20 onsite interviews were conducted with select participants. The questionnaire was designed to gather quantitative and qualitative information including:

- Qualitative: understanding best practices, key drivers, enablers, challenges, anecdotal information, user satisfaction ratings, service level quality.
- Quantitative: macro-level statistics – dollar spend, average transaction on card, average dollar size of transaction, vendor negotiated discount rates; micro-level statistics – indirect activity cost and time (excluding overhead); IT/data requirements.

Onsite interviews were conducted with Procurement, Accounts Payable (A/P), Travel managers, buyers, commercial card administrators, and representative users to gain greater insight into companies’ specific Procure-to-Pay functions and best practices.



**Number of Study Participants and Their Corresponding Industry Affiliations**

INDUSTRY	COMPANY	
	LARGE MARKET	MIDDLE MARKET
Communication	1	1
Consumer	6	7
Energy	2	0
Financial Services	4	3
Health Care	1	4
Manufacturing	6	11
Professional Services	2	4

Visa is proud to be an innovator - investigating and creating new ways for large corporate and mid-size companies to more efficiently and effectively manage the business of doing business. With a full line of available services, Visa can help your business stay at the forefront of today's marketplace.

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