



Visa Commercial Solutions

Commercial Card Integration with e-Procurement and ERP Applications

Helping you integrate your commercial card program with enterprise technologies.

Companies in the study purchased an **average of 35 percent** of their controllable spend through e-Procurement.

With the widespread adoption of e-Procurement and Enterprise Resource Planning (ERP) technologies over the past five years, companies have become increasingly interested in how to integrate the commercial card with Procure-to-Pay applications. To help companies optimize this process, Visa[®] commissioned Deloitte Consulting to: 1) study companies that have successfully integrated these technologies and 2) develop recommended practices and expected benefits.

Deloitte conducted interviews with 20 mid-sized and large companies from industries such as manufacturing, consumer business, financial services, and professional services. Company participants included the Procurement Manager, Accounts Payable (A/P) Manager, Purchasing Card Administrator, and Information Technology (IT) Manager familiar with the integration process.

Procure-to-Pay technologies currently available in the marketplace, including Ariba, SAP, Oracle, and PeopleSoft, were the focus of the study.

Based on learnings from the interviews and other secondary research, Visa and Deloitte developed recommended practices and detailed descriptions of processes for successfully integrating commercial cards with Procure-to-Pay applications.

For additional information about the card integration process and benefits and to obtain a copy of the *Practical Guide to Commercial Card Integration with e-Procurement and ERP Applications*, please contact your Visa Commercial Solutions Issuer.



e-Procurement and ERP Market Trends and Integration Process Overview

37 percent of the companies' e-Procurement spend was paid by commercial card and **49 percent** of their e-Procurement suppliers were **paid by commercial card.**

The adoption of e-Procurement and ERP systems continues to grow

e-Procurement Market Trends

In 2004, between \$2.3 and \$3 trillion of goods and services were procured via e-Procurement.¹ Companies in industries such as computer hardware, engineering/construction, financial services, and semiconductors account for the greatest percentage of purchases through e-Procurement. A recent study indicated that more than half of the companies surveyed planned to increase their investment in e-Procurement technology by 50 percent or more in the next fiscal year.² The leading e-Procurement system provider is Ariba with a 36 percent share of the market.³ Other e-Procurement providers include Commerce One, i2 Technologies, and ERP vendors such as SAP and Oracle/PeopleSoft that provide separate e-Procurement modules.

ERP Market Trends

Many companies are planning to implement a new or expand an existing ERP solution in the near term. The ERP market is expected to grow 8 percent until 2008.⁴ Midsized corporations, government agencies, and industries such as health care are expected to lead the spending on ERP implementation. The leading ERP system providers are SAP and Oracle/PeopleSoft. SAP holds 40 percent of the \$24 billion ERP market and Oracle and PeopleSoft systems hold 10 percent and 12 percent respectively.⁵

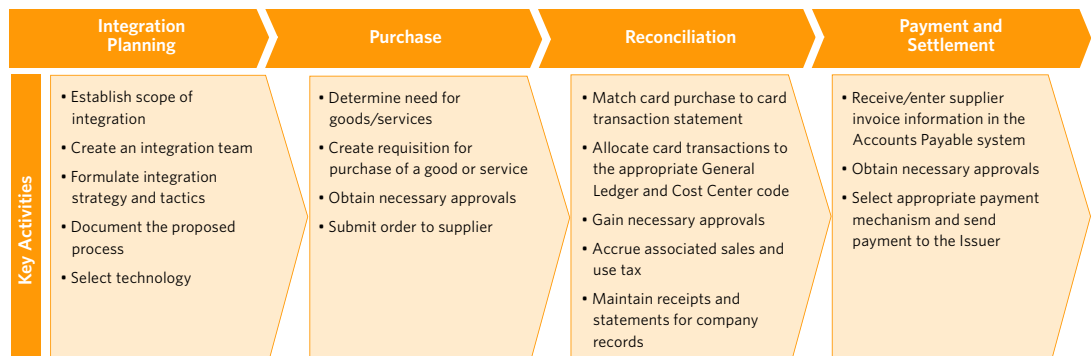
The integrated Procure-to-Pay process varies among companies in the study

End-to-end commercial card integration with Procure-to-Pay technology systems entails integrating the card utility and data with the applications used for purchasing, reconciliation, and payment processes. The card integration process can be divided into four distinct steps: Integration Planning, Purchase, Reconciliation, and Payment and Settlement. (See the diagram below.)

Study findings show that there are a number of approaches for integrating a commercial card program. The Procure-to-Pay integration process differs in the following areas:

- Level of payment data required (Level II vs. Level III)
- Choice of reconciliation system (Buy vs. Build)
- Timing of payment relative to reconciliation
- Frequency of data uploads into e-Procurement, reconciliation, and ERP systems
- Differences in data requirements for reporting purposes

These differences are detailed in the *Practical Guide* with examples that demonstrate various approaches and recommended practices.



1 Forrester & Institute of Supply Management, 2004

2 Supply Chain Spending Is On a Roll, eWeek, 2/16/05

3 eProcurement Applications Market Forecast and Analysis, 2000 - 2004. IDC, 2004

4 CIO Update, 4/15/05

5 The Enterprise Planning Report, AMR Research, 2005

Commercial Card Integration Benefits

Companies in the study chose to integrate their commercial card with e-Procurement and ERP systems for a variety of business benefits such as cost savings, streamlined processes, enhanced data management, and increased controls. The companies realized annual savings from integration ranging from \$360,000 to \$900,000⁶. Savings resulted primarily from a more efficient payment process for e-Procurement purchases.

Some companies in the study reduced their order processing time from 45 minutes to 5 minutes per order.

One company with approximately \$600 million of annual procurement spend integrated card payment with e-Procurement; thereby reducing its labor force by 3 to 5 FTEs and realizing annual savings of \$250,000.

One financial services company found that using the commercial card as the payment mechanism for e-Procurement automates the payment process, helping ensure proper and timely purchasing, reconciliation, and payment approvals.

The **companies' costs** for integrating the commercial card with their e-Procurement or ERP systems **ranked from \$150,000 to \$1.3 million.**

Streamlined Process and Cost Savings

Reduced overall Procure-to-Pay processing time	<ul style="list-style-type: none"> The overall processing time for purchase, reconciliation, and payment can decrease significantly as each step in the Procure-to-Pay process is made more efficient.
Automated reconciliation process	<ul style="list-style-type: none"> Process automation is the key driver for an improved reconciliation process. Card purchase data can be automatically loaded into a reconciliation tool to compare purchase data to payment data and confirm that transaction amounts are within an acceptable dollar range. The automated process can reduce errors and reconciliation processing time, allowing for timely payment and control.
Reduced costs of processing invoices (A/P and buyer)	<ul style="list-style-type: none"> As the number of paper invoices decreases, the number of resources needed to receive/sort mail, manually enter invoice information, and produce/mail checks is lower, providing an opportunity to reduce or reallocate staff.
Increased rebates	<ul style="list-style-type: none"> Companies can increase the rebates they receive from their issuing financial institutions by growing their card program volume. Integration with e-Procurement is an effective way to grow the program by specifying the commercial card as the required form of payment.

Enhanced Data Management and Increased Controls

Availability of detailed data for spend analysis and decision-making	<ul style="list-style-type: none"> The integration provides the ability to access all company-wide spend data in one place. A comprehensive view of full spend activity by supplier enables improved vendor negotiations. Access to total company spend provides senior management the ability to drill down to total spending by business unit and function. This can enhance decision-making and budgeting.
Enhanced compliance with buying policies and procedures	<ul style="list-style-type: none"> Integration makes it easier to review payment activities such as payment method and use of preferred suppliers and ensure they are in compliance with policies and procedures. Use of the commercial card as the payment mechanism for e-Procurement automates the payment process, helping ensure proper and timely purchasing, reconciliation, and payment approvals.
Streamlined reporting and data aggregation process	<ul style="list-style-type: none"> A key driver of process improvement is the reduction of manual inputs. As systems integrate seamlessly, the improved information flow enhances the overall reporting system. As manual processes are eliminated, the time to accurately report data decreases, resulting in increased productivity, reporting flexibility, and visibility.

⁶ Based on an invoice receipt and approval process cost of \$10 per Deloitte research and a check payment cost of \$5 per eMarketer, October 2001

Practical Guide Contents

The *Practical Guide to Commercial Card Integration with e-Procurement and ERP Applications* covers a wide range of topics:

- **Procure-to-Pay Market Trends**—Describes the trends occurring in the e-Procurement and ERP marketplace
- **Why Integrate?**—Discusses the value proposition of commercial card integration by providing examples of benefits
- **When to Integrate?**—Provides a guideline for the optimal timing of integration
- **How to Integrate?**—Discusses the process associated with each step of integration by focusing on process variations, data requirements, and system selection and configurations
- **Ongoing Integration Management Activities**—Addresses policies and procedures management, audit and control, and reporting requirements
- **Integration Case Studies**—Provides selected company examples including their pre- and post-integration environment, realized benefits, incurred costs, and lessons learned
- **Company and Issuer Checklists**—Describes the roles of both the company and the Issuer during the commercial card integration process
- **Recommended Integration Practices**—Summarizes the recommended integration practices discussed throughout the *Practical Guide*

To obtain a copy of the *Practical Guide for Commercial Card Integration with e-Procurement and ERP Applications*, or if you have additional questions, please contact your Visa Commercial Solutions Issuer.

