

# Commercial Perspectives

Procure-To-Pay Best Practices





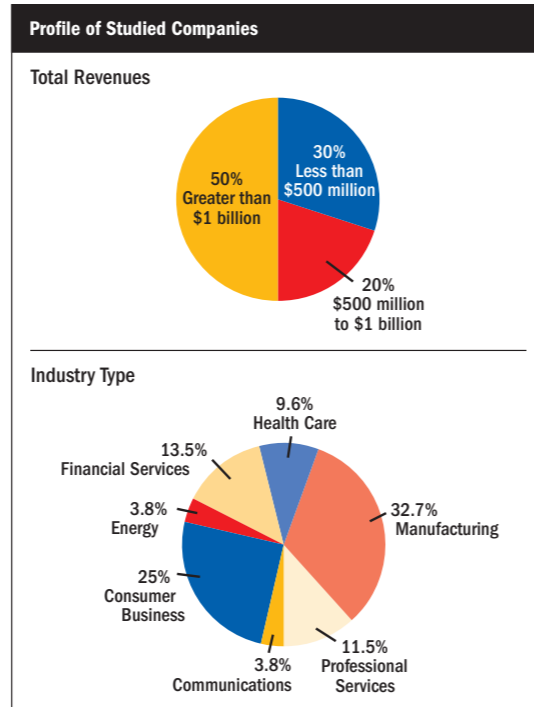
**Overview**

Procurement and expense management are an important source of potential cost savings for today's businesses. To help businesses realize these savings, Visa Commercial Solutions commissioned Deloitte Consulting to conduct a comprehensive study of procurement and payment best practices for companies nationwide. The result of the study was the creation of Visa's Procure-to-Pay Best Practices, which encompass the entire procure-to-pay process.

The study focused on three key areas of a company's business processes. The first was the company's procure-to-pay foundation as defined by overall procurement strategy, organization and technology. The second was how the company managed its commercial card program, including purchasing cards, T&E corporate cards and fleet cards.

The third was the procure-to-pay process itself, including sourcing, order placement, payment/settlement, reconciliation, control audit and reporting.

The study included 52 large corporate and mid-sized companies considered to have leading procure-to-pay practices that were selected to ensure distribution by revenue size, geography, industry type and company culture. The make up of the companies included in the study is summarized in the following charts.



**Key Findings for Procure-to-Pay Optimization**

Based on the study findings, Visa developed 60 best practices to help large and mid-sized companies attain greater work efficiencies and cost savings. These Procure-to-Pay Best Practices provide practical ways for companies to achieve an optimized procurement and expense management process by addressing six key areas:

- Proactive, ongoing senior management sponsorship for procure-to-pay initiatives

- Collaboration to ensure communication and enforcement of procure-to-pay policies and procedures
- Progressive migration to automating the entire procure-to-pay information technology platform
- Aggressive strategic sourcing focus to enhance vendor relations
- Comprehensive data aggregation and reporting to support management and enable continuous improvement of procure-to-pay functions
- Commercial card objective alignment with a company's overall procure-to-pay strategy

**Selected Procure-to-Pay Best Practices**

1. Implement use of purchasing and corporate cards
2. Establish policies for commercial card use
3. Incorporate a commercial card training program
4. Mandate use of commercial cards for eligible expenditure
5. Implement an in-house Web travel booking tool
6. Standardize and prepopulate expense reporting
7. Optimize the number of suppliers
8. Require suppliers to accept commercial cards
9. Utilize e-sourcing tools to find suppliers
10. Limit approvals on order placement
11. Minimize use of paper purchase orders
12. Eliminate manual check payments
13. Understand tax liabilities
14. Automate delivery of card statements
15. Outsource high-volume payment processes
16. Determine an effective control strategy
17. Monitor procurement performance
18. Utilize data for better spending visibility

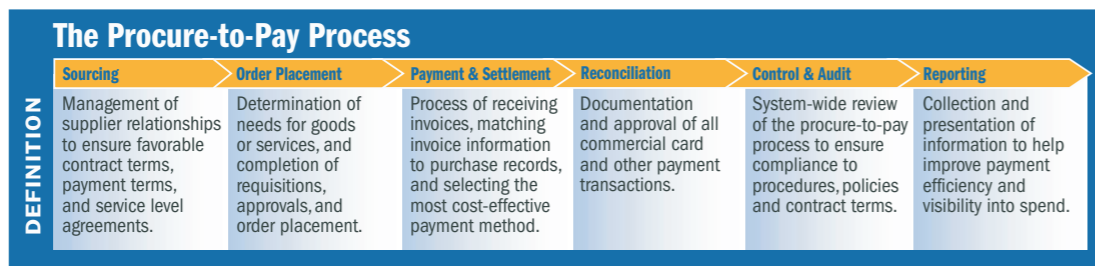
**Best Practices Adoption Patterns**

Visa study findings indicate that the Visa Procure-to-Pay Best Practices are equally applicable for both large corporate and mid-size companies that have similar goals and challenges in obtaining a leading procure-to-pay function. Differences among companies exist only in scale; how companies handle implementation depends on size, organizational structure, and company culture.

Companies in the manufacturing industry have been leaders in the adoption and use of innovative procure-to-pay best practices since supply chain management, sourcing, and efficient procurement of goods and services is fundamental to business. Financial services and consumer-business companies are "fast followers" in best practices adoption, and mid-size companies tend to follow the lead of large companies.

**Results of Best Practices Implementation**

Companies in the study were found to save an average of \$1.8 million to \$8.3 million annually, not including potential cost savings associated with vendor discounts or front-end processing efficiencies.



Achievements from select companies adopting the best practices are reflected in the following chart:

Best Practices Implementation
• <b>98 percent</b> compliance with audit criteria
• <b>90 percent</b> of all spend with preferred vendors
• <b>90 percent</b> of all trips booked through an in-house Web travel tool
• <b>80 percent</b> of suppliers under contract
• <b>75 percent</b> of office supplies purchased through e-Procurement
• <b>75 percent</b> of e-Procurement orders paid using the purchasing card
• <b>71 percent</b> of payments automated
• <b>29 percent</b> discount on negotiated airline rates

### Emerging Procure-to-Pay Trends

Today, corporations are working to coordinate accounts payable, procurement, and strategic sourcing activities, and are also 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 Visa's study provided detailed insights into their current and future procure-to-pay goals. Study responses highlighted three emerging trends:

#### e-Auctions

If not already in use, e-Auction applications will soon be deployed by a larger percentage of this study's survey participants.

- 17 percent of study participants have already implemented an e-Auction solution
- An additional 22 percent of study participants plan to implement e-Auctions during the next two years

#### Benchmarking

Leading companies have created a group of "benchmarking partners," including companies outside their industry and companies with which they have a complementary relationship (such as suppliers or vendors). Some companies use third-party companies to conduct "blind" benchmarking studies against their immediate competitors. Leading companies also 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 automation of expense reports continues to increase. Companies report anticipated process savings of 80 percent as well as a significant reduction in data entry errors.

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

#### For More Information

To obtain a complete copy of the Visa Procure-to-Pay Best Practices, contact your Visa financial institution.