

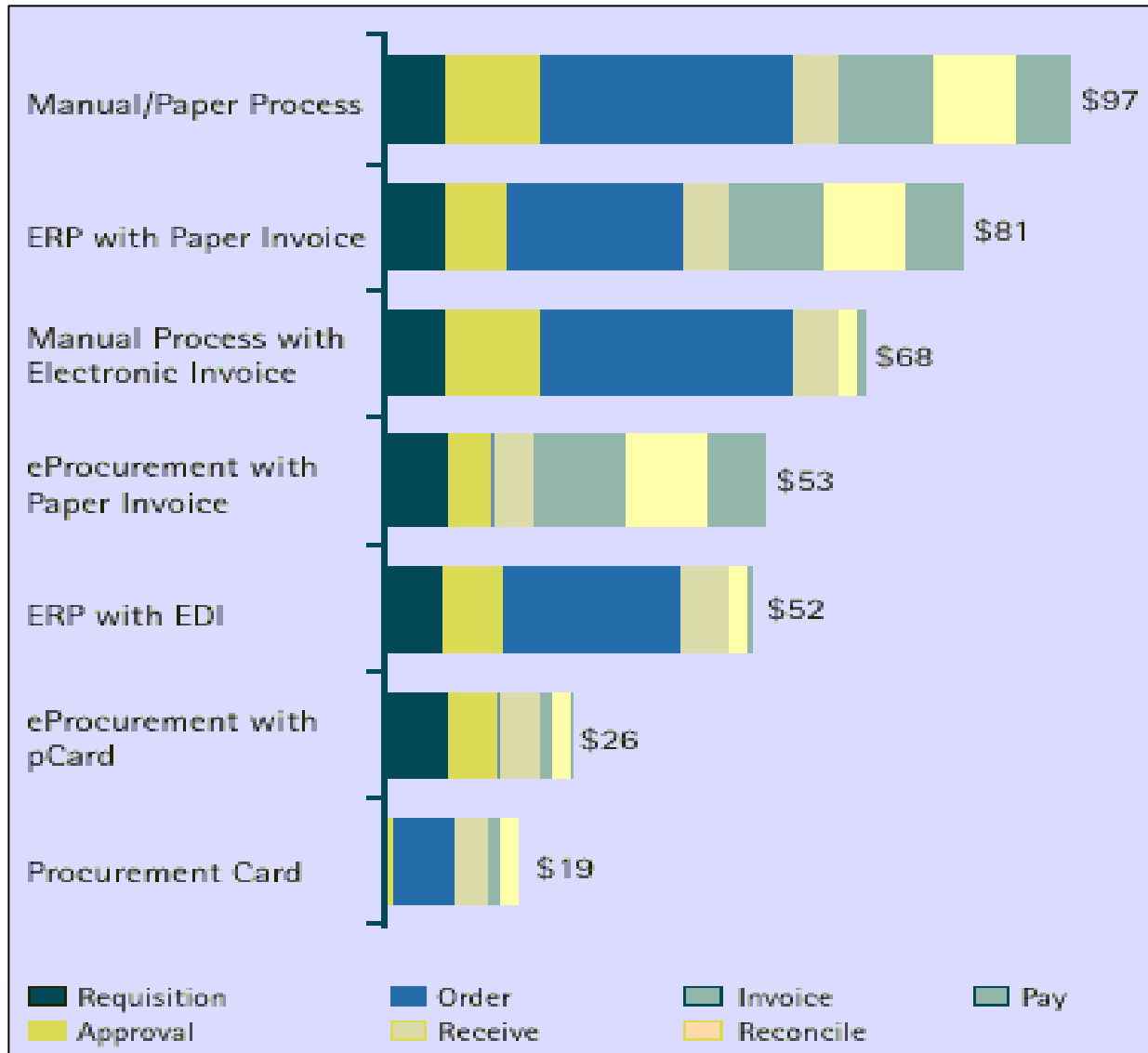


# Purchasing Card Best Practices

**April 22, 2008**



- **Business Case**
- **P-Card Trending**
- **Best Practices**



- Less paper
- Less reconciliation
- Less cycle time
  - 68% reduction in procurement process \*
- Less employee time
  - Reduction and redeployment of headcount
- Less money spent on purchase process
  - Cost reduction per transaction: \$67.38 \*

**More dollars to your bottom line**



Study	Number of Participating Companies	Savings per Transaction
Ernst & Young (2000)	59	\$68
Visa/Deloitte P2P (2002)	52	\$60
RPMG Research Corp (2005)	1,288	\$67

Annual Spend	# of Annual Transactions	Ernst & Young Estimated Savings	Visa/Deloitte Estimated Savings	RPMG Research Estimated Savings
\$5,000,000	17,857	\$1,214,276	\$1,071,420	\$1,196,419
\$10,000,000	35,714	\$2,428,552	\$2,142,840	\$2,392,838
\$25,000,000	89,286	\$6,071,448	\$5,357,160	\$5,982,162
\$50,000,000	178,571	\$12,142,828	\$10,714,260	\$11,964,257

\* Assuming an average Trans of \$280

- Leverages supplier discounts
  - 0.61% discount by virtue of P-Card data \*
- Delegation without sacrificing control
- Focus on strategic purchases
- No P.O.s for indirect purchases
- Reduce supplier base
  - 31% supplier reduction in AP master file \*



- Decreases check generation
- Reduces petty cash dramatically \*
- Automates account coding
- Reduces employee inquiries and tracking
- Reduces paper filing and storage



- Empowerment
- Easier indirect purchase and procedures
- Efficient approval process
- Cycle time reduction from 9.26 to 2.96 days \*
- Immediate dispute capability



- Ensures quick payment
- Waives credit checks
- Eliminates accounts receivable actions
- Increases revenue opportunity



## Improve Efficiencies

- Maximize float potential – up to 55 days to pay your bills
- Streamline your accounts payable process (pay invoices without a check run)
  - Automated reconciliation
- Reduce the number of checks in your organization
  - *Independent studies show an average of a \$67.38 savings for each purchasing card transactions vs. a check transaction*

## Generate Revenue

- Earn a “real-dollar” cash back rebate based upon the total number of dollars put on the card
- The rebate calculation begins with the first card transaction
- No APR (no interest) card

## Improve Management Control & Visibility

- Permission base usage only
- Designate how cards can be used; you set the parameters for each cardholder
- Real-time reporting
  - View statements and transaction activity at anytime; no waiting for paper statements (detail is maintained for 7years); excellent spend management tool

### Potential Behavioral Benefits

#### ▪ Client's Preference

Increased client loyalty who may otherwise migrate to competitors that accept Purchasing Cards.

#### ▪ Increased Sales Volume

More overflow business from suppliers that are out of inventory. Close more sales (buyer convenience), process more transactions (speed-of-transaction)

#### ▪ New Sales Channels

Storefront, phone, direct mail, and Web are all card capable and not check friendly

#### ▪ Enhanced Competitive Position

Streamlining the back-office, increasing sales channels, meeting client needs translates into a competitive advantage.

#### ▪ Retention of Customers

Clients gain benefits from using Purchasing Cards – clients will migrate to suppliers that support P-Cards

#### ▪ Speed / Convenience

Cards speed up the point-of-sale process (throughput) and reduce the hassle of transacting

### Potential Direct Cost Benefits

#### ▪ Enhanced systems integration

Purchasing Card terminals are integrated with order entry, inventory, and A/R systems automating reconciliation while eliminating manual data entry

#### ▪ Personnel

Resources can be diverted from billing & collections to more value added services

#### ▪ Improved Cash Flow

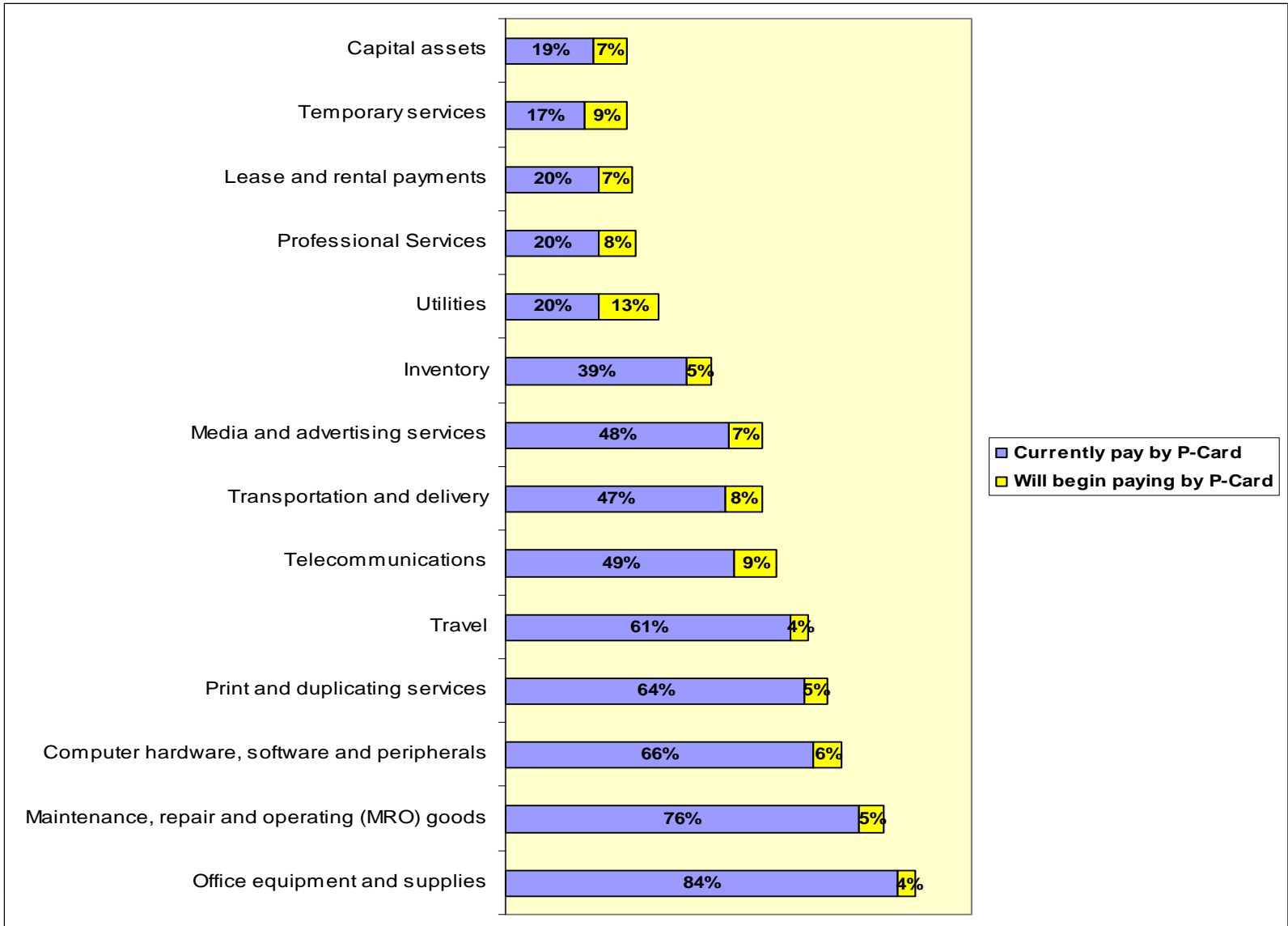
Settlement is next day vs. 2/10 net 30, etc.

#### ▪ Reduced Paperwork and Invoicing

Purchasing Card terminals transmit invoice-level detail – the alternative is manually creating & sending the customer an electronic file

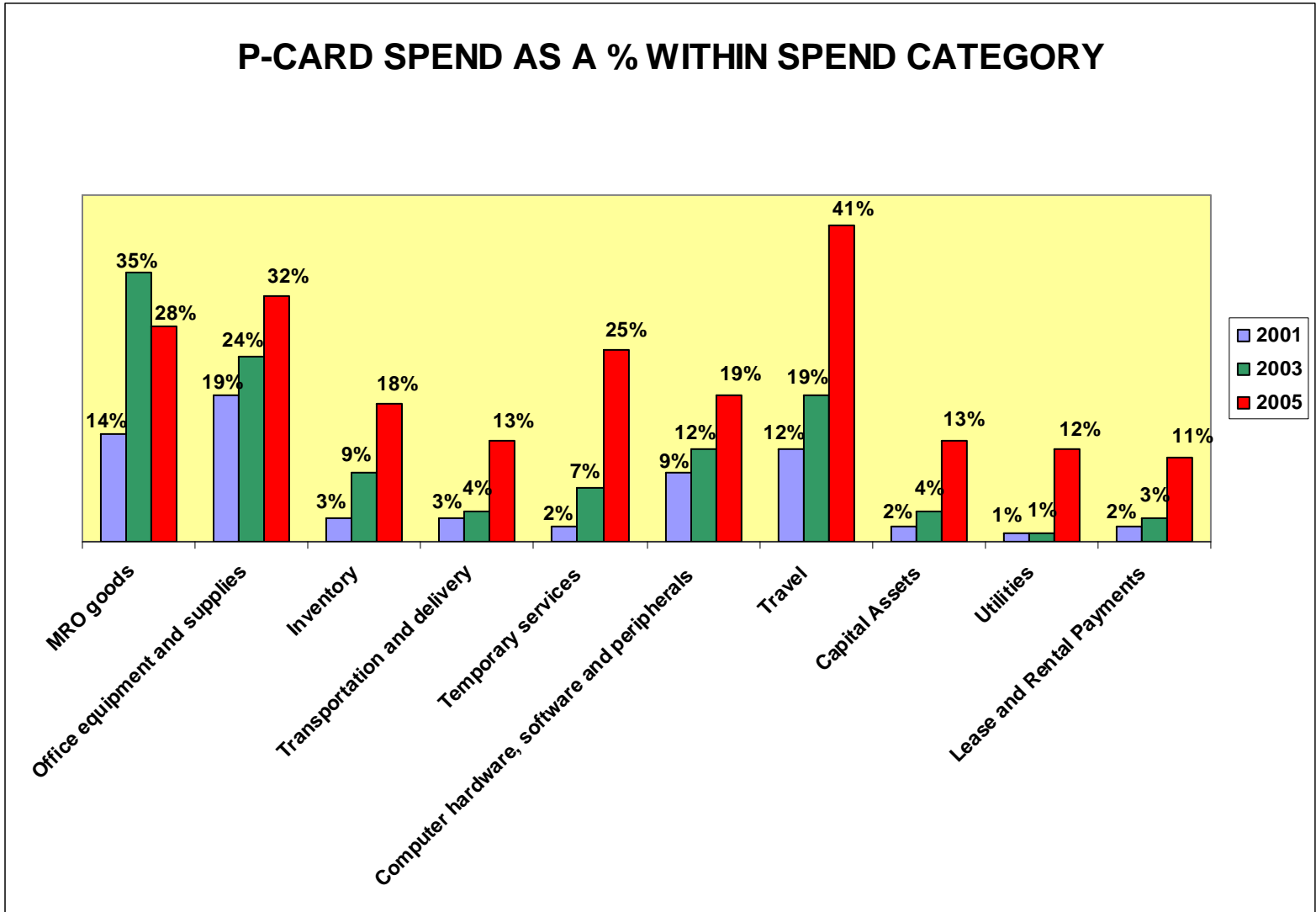
#### ▪ Reduced Credit and Collection Expense

Reduces/eliminates customer underwriting, billing, and collections



RPMG Research Corp. "2005 Purchasing Card Benchmark Survey Report"

P-CARD SPEND AS A % WITHIN SPEND CATEGORY



RPMG Research Corp. "2005 Purchasing Card Benchmark Survey Report"





# Maximizing Card Program Performance

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***Maximize the Return & Minimize the Risk***  
***Industry Experts Top 3 Best Practices***



First Annapolis specializes in advising clients on strategic and tactical matters across all major payment products and services including credit cards, deposit access products, and commercial payment vehicles.

## Making P-Card programs work

- **Identifying an Executive Sponsor**  
Identify a senior executive who believes in the power of the P-Card program who can serve as the internal advocate to ensure the program will receive the requisite level of management and resources to succeed.
- **Tracking the Before and After**  
Create a business case demonstrating how the requisition process performed before and after P-Card implementation. Review key measures such as reduced time to complete an order, reduced cost per order processed, and reduced exception rates. The business case will help objectively support advocacy of the program.
- **Getting a Bigger Slice of the Pie**  
Historically, P-Cards have been relegated to small dollar purchases for which companies were looking to eliminate the PO process; however, technology now exists to automate the PO process and handle much larger transaction sizes with P-Cards serving as a core function within the requisition process.



- **Target Payables for Conversion to Purchase Card**  
Consensus pick as #1. Easy to implement, less maintenance, no cardholders, less training, fewer decisions, highest rebate return, and value across the enterprise. Mimics the check process and requires minimal training.
- **Controls & Limits**  
On traditional cards, set higher monthly credit limits to empower the cardholder. Consider programs that allow for a requisition process that adheres to company practices and policies. This increases cost per transaction versus increasing limits while the technology incorporates business and workflow rules.
- **Maximize Card Distribution**  
This is a fundamental strategy as workflow efficiencies and reporting visibility of cardholders, managers, and accountants has given mature programs approximately 30% growth after migrating from competitor programs. Ensure manager compliance at roll out in requiring cardholders to complete reconciliation in a timely manner. Support the program initially for maximum spend potential.

## From Average to Great

- **Supplier Rationalization/Optimization**  
Run a gap analysis on your AP file identifying check transactions (# and \$) paid to Visa accepting merchants. Use this data to develop a formal vendor management program. Incorporate card acceptance into preferred vendor contract terms. Take a pro supplier approach; understand and educate your buyers to the suppliers' card value proposition and work with your suppliers.
- **Leveraging Centralized & Decentralized Buying**  
Maximum card distribution to end users is the most effective way to manage low-dollar procurement and T&E (decentralized buying). Identify end-users by analyzing who is submitting check requests, invoices, POs, expense reports... Additionally, centralized buying with large-dollar and key suppliers is a high-growth application of P-Card. Upfront integration with financial & eProcurement systems is required, but effective in reducing payments processing costs and maximizing rebate.
- **Position the Bulls Eye**  
Measuring success is mission critical. The fact is, managing a mediocre program or a high-performing program takes effort. Invest time understanding the business case, setting meaningful goals and schedule time with your management team for a program review. Bottom line, P-Card can provide true cost savings and revenue generation to improve profitability.

- Assume ownership of your P-Card program and toot your horn
- Delineate between the decentralized buyer and the centralized payment system. Your card program can and should have a role in both areas
- Understand and appreciate your suppliers card value proposition
- Leverage technology to further distribute and enable your program



Thank You!

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