

# Does Your Commercial Card Program Have Industrial Strength?

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Commercial card programs have become an integral part of an organization's cash management strategy, a testament to the significant cost reductions organizations can achieve. Forward-thinking companies are well aware of the benefits that card programs bring to their organizations, such as reducing costs by automating business processes, eliminating paper, and improving spend management through greater visibility to purchase activity.

As industry research indicates, firms with purchasing card programs in place, on average, increased efficiencies by realizing a 68-percent reduction in procurement cycle time and a 31-percent reduction in number of suppliers in their Accounts Payable master file as compared with companies employing traditional purchase order systems. These impressive results are more often realized when companies work with their bank partners to design commercial card programs that not only integrate data reporting, but also align with the company's policies and strategies.

Commercial card programs generate significant cost savings for an organization. A 2005 Richard Palmer & Mahendra Gupta survey of organizations with card programs in place shows respondent-reported process cost estimates before and after introduction of the purchasing card. The average administrative cost of procuring and paying for a good or service via the traditional purchase-order based process is reported by respondents to be approximately \$89, while the average cost associated with their purchasing card transactions is estimated to be approximately \$22—a net savings of over \$67 per transaction.

With continued priority placed on expense control and process efficiency, the benefits of a purchasing card program are clear. For companies that do not have a program in place, purchasing cards provide a unique opportunity to improve cost and efficiency metrics,

while also providing better data, visibility, and analytics on spending. However, even where a program is in place, savvy treasury groups are re-assessing their current programs to ensure the company is gaining the full benefits of their purchasing cards.

## A CHECKLIST TO OPTIMIZE YOUR COMMERCIAL CARD PROGRAM

Based on our experience establishing card programs in over 45 countries in 30 different currencies and providing online tools in 20 languages, we offer you the following suggestions to optimize your purchasing card program:

**1. Measure**—What percentage of total spend is captured by your firm's commercial card program versus traditional methods? Industry studies show that organizations with best-in-class purchasing card programs have a wider "allowable span of spend" than organizations with low transaction capture on the card.

**2. Analyze**—How much has your commercial card program grown in the past three to five years? Organizations have a variety of ways to support the growth of their purchasing card program while maintaining a cost-beneficial level of accountability and control over spending.

**3. Identify**—How many employees in your organization have cards and have you adjusted your spending limits in line with inflation? Do you have enhanced purchasing card controls in place? Organizations with best practice purchasing card programs distribute, on average, double the number of cards as organizations with lower performing programs. On average, best practice companies provide 12.2% of employees with purchasing cards.

**4. Monitor**—Do you have metrics in place to determine whether cards are being used as intended? Organizations with best practice

purchasing card programs are more likely than their low transaction-capture counterparts to conduct data mining of purchasing card transactions to ensure policy compliance for their purchasing card program.

**5. Champion**—Do you have a senior-level champion who supports your purchasing card program? Best practice purchasing card programs have a higher level of top management support than programs characterized by low transaction capture on the card.

**6. Innovate**—Some of our most successful clients have achieved tremendous spending capture by finding new ways to use purchasing cards, not only to capture new categories of spend, but to solve business problems and improve their customer service. For example, we recently helped a major airline create a solution for stranded passengers, and new product offerings allow companies to settle vendor invoices to purchasing cards via a straight-through, file-based process.

**7. Partner**—Do not try to solve all of your card program's problems on your own. Engage your bank as a partner in innovation.

## CARD INNOVATION WILL CONTINUE TO IMPACT BOTTOM LINE

Several years ago, Citi made a strategic decision to significantly invest in commercial card programs. As next generation card management solutions emerge, these enhancements will help organizations utilizing card programs to further enhance their bottom line performance.

