



Visa Procure-to-Pay Executive Summary

Canadian Study



Study conducted
by Deloitte Consulting

To obtain more information about the Visa Procure-to-Pay Best Practices or to obtain a copy of the complete Best Practices study, including the Performance Gauge and ROI Tool, please contact your VISA® Issuing Financial Institution or visit www.visa.ca

© Registered trademark of Visa International Service Association, Visa Canada is a licensed user.
™ Registered trademark of Visa Canada Association.

Visa Procure-to-Pay Best Practices

Canadian businesses are continually challenged to build more efficiencies into their procurement processes. In an effort to understand these processes and offer improvements, Visa Canada commissioned Deloitte Consulting to conduct a comprehensive study of best practices used in managing Procurement, Travel & Entertainment and Commercial Card Programs.

Medium to large-size Canadian companies, situated from coast to coast and covering a wide array of industries, were interviewed to identify leading edge practices. Differences among companies were found in the scale of implementation, their ability to dedicate resources, and the level of technological sophistication. These factors were all considered in identifying 56 Best Practices.

This Executive Summary highlights the six key themes that incorporate the Best Practices.

The Canadian *Visa Procure-to-Pay Best Practices* clearly indicates that leading companies have adopted six key findings:

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

Achieving senior management sponsorship is necessary for receiving endorsement of existing initiatives, encouraging compliance to policies, and increasing awareness of procurement initiatives throughout the organization. In recent years, leading-edge companies have become more innovative in achieving sponsorship by using relevant and realistic return on investment (ROI) measures, sharing information, and actively communicating goals and successes to senior sponsors and throughout the company.

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

Leading companies encourage business unit partnership and mutual understanding. Where possible, leading firms share savings with business units to reward compliance and cooperation. Shared objectives and successes, performance measures, as well as training and support have led to more formalized ties between business units, resulting in increased compliance to policies and a reduced overall cost structure.

3. *Progressive migration to automating the entire Procure-to-Pay Information Technology platform*

Leading companies are taking a pragmatic approach to automation, focusing on the implications of technology investments to the entire end-to-end platform. Well-designed Enterprise Resource Planning (ERP), e-procurement and Internet systems continue to unlock opportunities for cost containment in the Procure-to-Pay process. To support Information Technology (IT) initiatives, companies are setting realistic and achievable ROI objectives, monitoring the achievement of these measures, and incorporating process changes as part of the solution. These companies employ change management techniques to achieve user buy-in and consequently, optimize the benefits associated with improved processes.

Mid-size companies are no longer excluded from receiving the benefits of increased automation as IT solution providers are increasingly targeting mid-size companies by offering cost-effective, tailored solutions.

4. *Aggressive strategic sourcing focus to continuously enhance supplier relations*

Strategic sourcing is an increasingly important strategic priority for leading companies, and a powerful tool in cost reduction efforts. While companies have traditionally attempted to achieve discounts with suppliers, 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 between 15% and 25% through a focused Strategic Sourcing initiative. Strategic Sourcing offers the following benefits:

- Rationalizing the supplier base
- Maintaining stronger oversight of relationships with suppliers
- Using the data to understand spend share
- Pushing suppliers towards deeper discounts and better service

Leading companies continue to dedicate resources to this discipline, with a noticeable change in strategy towards multi-functional negotiating teams (e.g., Procurement, Accounts Payable, IT, and other key stakeholders) that focus on a corporate-wide view of spend. Formal tools have been developed to assess spend, establish achievable sourcing targets, and support and monitor sourcing initiatives.

5. *Comprehensive data aggregation and reporting to support management and enable continuous improvement of the Procure-to-Pay function*

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. These companies accurately define required reports and use them to share information across the business and track performance to goals.

6. *Expanded integration of commercial cards' functionality into the Procure-to-Pay process*

Leading companies continue to look to commercial cards as an integral part of Procure-to-Pay strategic initiatives. As benefits of consolidating spend through a single payment mechanism are realized, companies continue to target key spend categories and search for additional spend categories. Categories of spend previously considered ineligible for card spend are being re-evaluated and added to card purchases. In addition, leading companies are expanding card usage by identifying eligible users and actively enforcing use of the card for all eligible purchases. Companies also continue to find that card programs, properly implemented, can yield greater control and accounting accuracy while enhancing end-user satisfaction. For example, the use of virtual accounts helps channel spend with preferred vendors and enhances the reconciliation process. Moreover, leading companies are utilizing Merchant Category Code blocking and reporting to control spend better.

Study Overview

The study encompasses the entire Procure-to-Pay function, including:

- Foundation needed to build best practices,
- Commercial card management for both Procurement and Travel & Entertainment (T&E) spend, and
- End-to-end Procure-to-Pay process from sourcing to reporting.

PROCURE-TO-PAY STUDY SCOPE					
1	Foundation	2	Commercial Card	3	Process
	Strategy		Purchasing Card		Purchasing and T&E
	Organization		Corporate T&E Card		Organization
	Technology		One Card		Sourcing
			Fleet Card		Order Placement
					Payment & Settlement
					Reconciliation
					Control & Audit
					Reporting

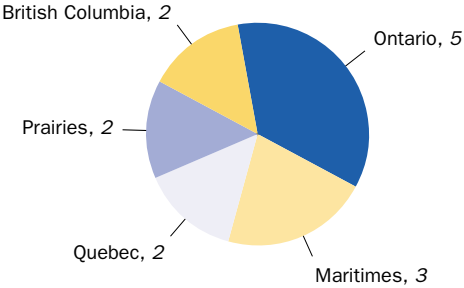
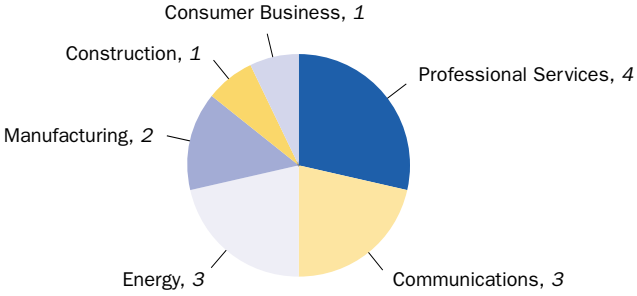
The study also identifies the best demonstrated practices of medium to large-size companies, their associated benefits, implementation steps and experience gathered from actual implementation successes. Highlights of significant benefits that have been achieved via Best Practice implementation are:

- 98% of office supplies purchased on Purchasing Cards**
- 90% of eligible T&E purchases on Corporate T&E Cards**
- 98% compliance with audit criteria**
- 97% reduction in petty cash**
- 95% of total suppliers under contract**
- 50% reduction in suppliers**
- 90% of eligible e-procurement purchases made through the system**
- 99% of all trips booked through web-based booking system**

Methodology

Deloitte Consulting interviewed 52 medium to large-size U.S. companies considered to have leading Procure-to-Pay practices. These findings were then validated against 14 Canadian companies' best practices. The selection criteria ensured distribution among revenue size, geography, industry, card type and card providers. The Canadian study participants' profiles are summarized as follows:

INDUSTRY DISTRIBUTION	REGIONAL DISTRIBUTION
Number of Participants by Industry	Number of Participants by Region



Company interviews were designed to gather quantitative and qualitative information including:

- Understanding of best practices, key drivers, enablers, challenges, anecdotal information, user satisfaction ratings, service level quality, etc.
- Macro-level statistics (e.g., dollar spend, average transaction on card, average dollar size of transaction, vendor negotiated discount rates), micro-level statistics (e.g., direct activity cost and time, excluding overhead), IT/data requirements, etc.

Interviews were conducted with Procurement, Accounts Payable, Travel Managers, Senior Management, and Commercial Card Administrators.

To obtain more information about the *Visa Procure-to-Pay Best Practices* or to obtain a copy of the complete Best Practices study, including the Performance Gauge and ROI Tool, please contact your VISA Issuing Financial Institution or visit www.visa.ca



Good for Business.