

Corporate Expense Management Solutions

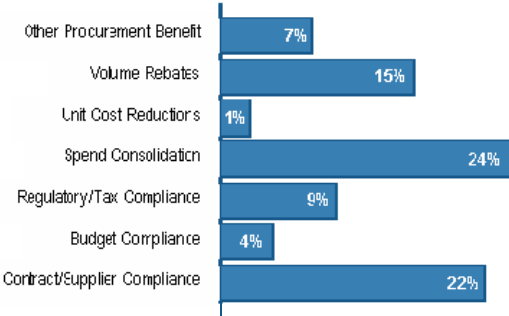
# How companies are using purchasing cards today to deliver savings and improve compliance

Purchasing cards have seen tremendous growth in spend in recent years—28% in 2007 versus 6% in 2003.<sup>1</sup> In addition, there has been major growth in transactions, representing approximately 57% in 2007 versus 16% in 2003.<sup>1</sup>

This increase is driven by the significant process efficiency savings, sourcing effectiveness and improved compliance that result from a purchasing card program. For example, Accenture’s study revealed companies using purchasing cards reduced purchasing process costs by as much as 85% and drove compliance improvements of up to 33%.

Best-in-class companies are using purchasing cards to gain these benefits in three key ways: expanding their purchasing card programs, leveraging technology to reduce procurement process costs, and tracking spending to improve compliance.

Procurement benefits of purchasing cards



Source: Accenture, *The Role of Procurement Cards in the Source-to-Settle Process*, 2007

Purchasing cards, when used as an end-to-end process, allow companies to reduce costs to an average of \$9 per transaction. This is a 50% decrease from four years ago when the average transaction cost for a Purchasing Card was \$19.<sup>1</sup>

## Expanding purchasing card programs

A fresh approach to a company’s procurement strategy can transform the inherent value and significantly improve growth of purchasing card programs.

With the increased use of purchasing cards, spend categories that were previously thought to be inappropriate for purchasing cards, such as direct spend commodities, are now being managed through a purchasing card program and companies are earning discounts at an earlier phase in the supplier relationship. According to the Aberdeen Group study, over 90% of companies with higher than average growth in their purchasing card programs have expanded use of the program by going beyond traditional use of purchasing cards for incidental, unplanned, or undefined purchasing transactions.<sup>2</sup>

## Leveraging technology to reduce procurement process costs

Within the invoice-to-payment processes, data shows a significant trend towards increased automation as companies look to drive savings from back-end processes:

- Over 80% of companies perform a two-way (reconciliation of purchase orders with invoices) or three-way match (reconciliation of purchase orders with invoices and recipients). This statistic is up 20% from 2003.<sup>1</sup>
- 50% of all matches were processed electronically. This may be attributed to regulatory and compliance requirements for companies.<sup>1</sup>

In addition, companies that integrate purchasing card programs with electronic invoice payment and presentment (EIPP) solutions are able to enhance the organizational, employer and supplier benefits associated with a purchasing card program.



Automation can reduce invoice processing costs for buyers by as much as 92%, while electronic settlement can slash payment costs by up to 86%.<sup>3</sup>

## Benefits of integrating purchasing card programs with an EIPP solution

Organizational Benefits	Cardmember Benefits	Supplier Benefits
<ul style="list-style-type: none"> <li>• Reduction in paperwork and manual processes</li> <li>• Cost savings through consolidated payment</li> <li>• Consolidated supply base and increased compliance</li> <li>• Improved supplier relations due to faster payment (e.g., within 3 days)</li> <li>• Consolidated data and flexible reporting</li> <li>• Flexible authorization controls to manage spend per cardholder</li> <li>• Improved cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Convenience and ease of buying</li> <li>• Improved accuracy of orders</li> <li>• No manual approval or requisitions</li> <li>• Faster delivery of goods</li> <li>• Time savings through process efficiency</li> <li>• Ability to track invoices online</li> <li>• Even faster processes</li> </ul>	<ul style="list-style-type: none"> <li>• Average payment within 2-3 days (improved cash-flow)</li> <li>• Reduced billing and payment processing costs</li> <li>• Improved customer relationships and increased sales</li> <li>• Automated payments generated upon approval of invoices</li> <li>• Better management of Days Sales Outstanding</li> <li>• Lower billing and collection costs</li> <li>• Improved cash collections forecasting</li> </ul>

## Tracking spending to improve compliance

To enable companies to maximize the tracking and appropriate allocation of expenses and provide necessary controls, purchasing card reporting and reconciliation tools are designed to provide accurate, consistent and timely spend, vendor and employee information. These tools allow companies to maximize control and ensure compliance while driving savings to the bottom line.

Data capture and analysis is critical to helping companies drive compliance and savings. Companies using spending analysis strategies have been able to achieve an average of 10-16% savings in overall costs, according to the Aberdeen Group.<sup>2</sup> Better data tracking and analyzing capability leads to improved sourcing and negotiating. The Aberdeen Group reported that companies tracking a greater percentage of their total expenses increased their spend reductions by 1.3% to 5.5%.<sup>2</sup>

Companies also value their purchasing cards as tools to help comply with Sarbanes-Oxley legislation. The Aberdeen Group found that 20% of respondents felt that SOX pressure reinforced the use of purchasing cards due to the controls.<sup>2</sup> Purchasing card programs can help companies implement the controls and tracking tools required for compliance.

**Find out how your company can drive savings and improve compliance with American Express Corporate Purchasing Solutions by visiting [americanexpress.com/corporateservices](http://americanexpress.com/corporateservices).**

### Sources:

1. Accenture, *The Role of Procurement Cards in the Source-to-Settle Process*, 2007
2. Aberdeen Group, *The Purchasing Card Benchmark Report*, 2005
3. Celent, LLC, 2007
4. National Association of Purchasing Card Professionals, *The Sarbanes-Oxley Act and its Impact on Purchasing Card Programs*, 2005

A study by the National Association of Purchasing Card Professionals reveals that a strong purchasing card control environment is a must for SOX compliance.<sup>3</sup>