![Silicon Valley Bank logo]

5 Ways to a Stronger Commercial Card Program

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November 4th Webinar

svb.com/commercial-cards

Why are we here?

1. Learn how to evaluate your existing card program to ensure it is providing the greatest return in efficiencies, expense reduction and rebate potential

2. Understand what tactics you can apply to optimize the program

3. Define how Silicon Valley Bank can help with your program optimization
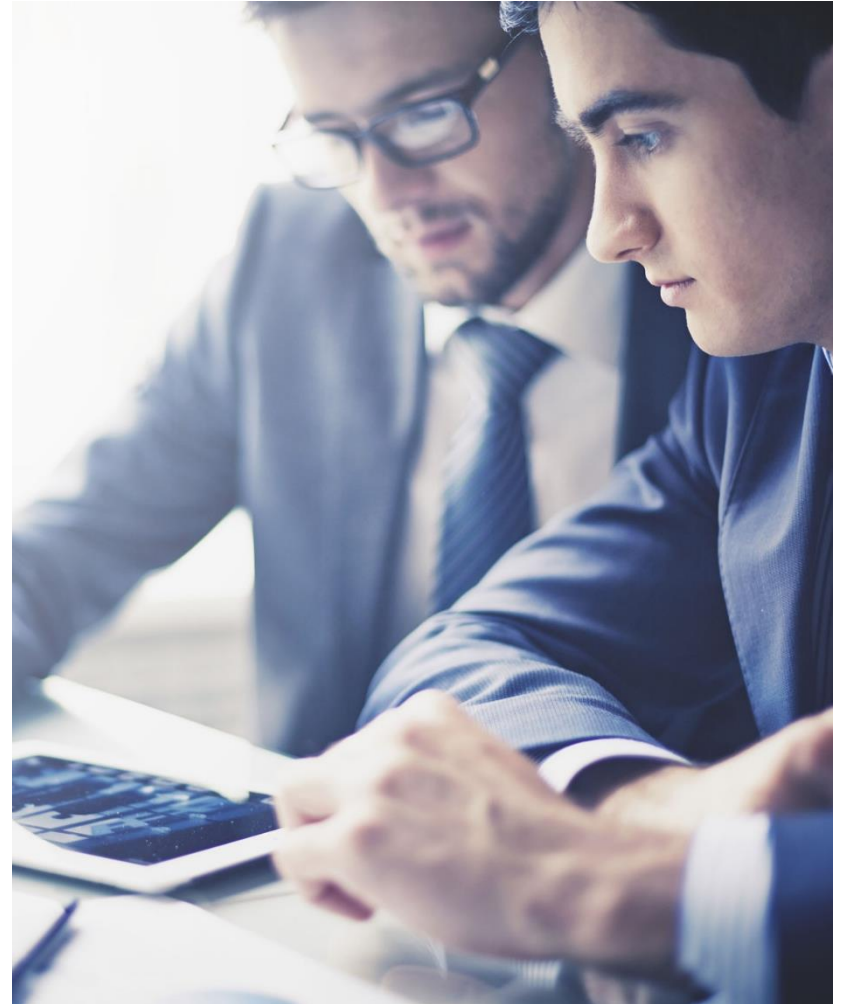
Tool for follow-up

Why is this important?

Effective card utilization gives companies what they need

Need	Benefit
Streamlined Processes	**Card spend reduces manual processes and processing costs**
Compliance	**Better spend controls minimize or eliminate spending abuse**
Reconciliation	**Enhanced data for financial systems ties payments to specific events or cost codes**
Better Economics	**Card spend provides supplier discounts and financial rebates, while reducing payment processing costs**

Corporations can realize $103K in value with card use

A successfully implemented card program can generate an average of $103K in value for corporations for every $1MM in card spend.

Cards reduce end-to-end payments processing cost by 81%	**$73,500**
2% increase in supplier discounts	**$20,000**
Financial rebates ≈1%	**$10,000**
Total Value:	**$103,500**

Commercial payments

All customers	**Most common use**
Business travel	
Business supplies inventory and services	**Purchase power**
Company vehicles	
	Fuel and maintenance

Procurement	Travel department	Accounts payable	**Procure to pay**

Goods and services	**Strategic suppliers**
Central travel account	
Event management	**Established discounts and benefits**
Petty cash	
	Special events and projects

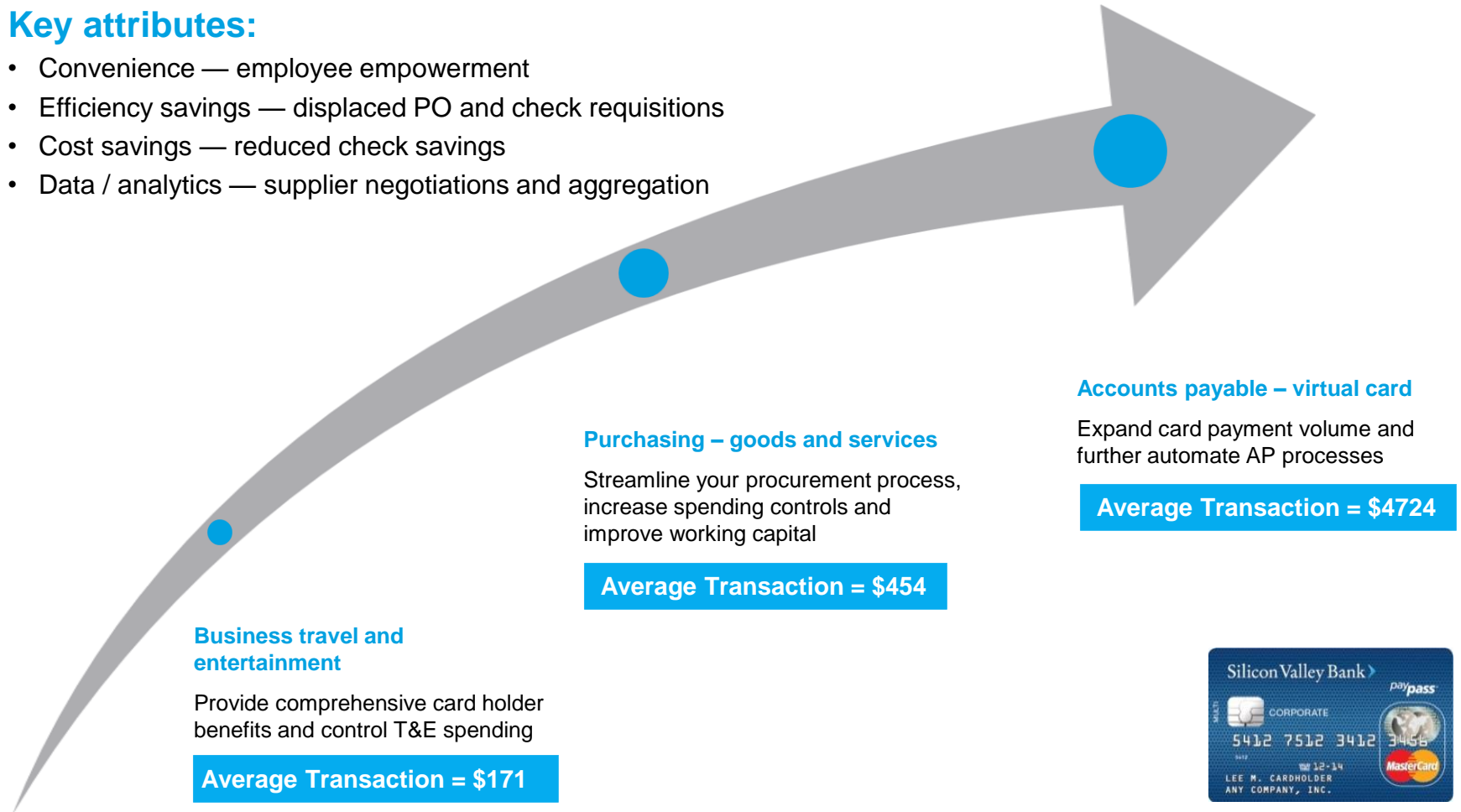| Checks	ACH	EFT/wires	Commercial cards	**Payments**

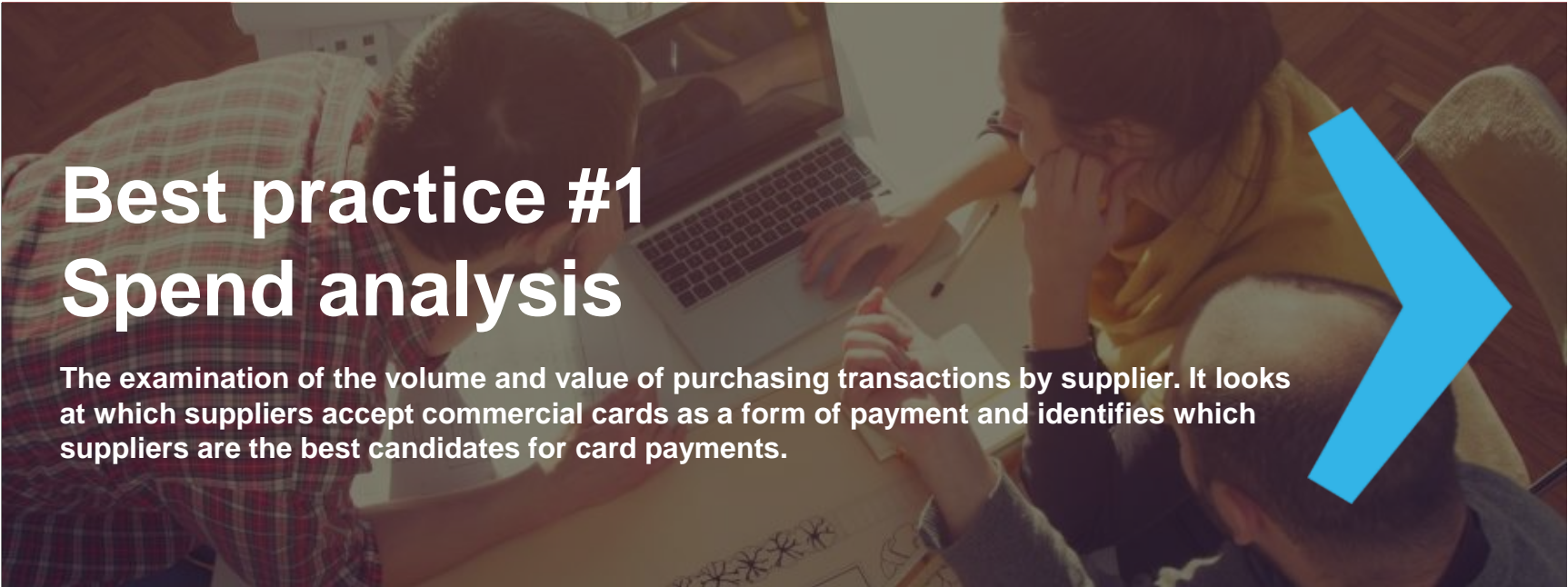# Polling question

What does your program look like?

1. Cards used for business travel purposes only

2. Cards used for non-travel related goods and services only

3. Cards used for business travel, goods and services

4. Cards used by accounts payables to pay invoices only

5. Cards used for all (business travel, goods and services, and by accounts payables)

Evolution of payment tools

Key attributes:

- Convenience — employee empowerment
- Efficiency savings — displaced PO and check requisitions
- Cost savings — reduced check savings
- Data / analytics — supplier negotiations and aggregation

Accounts payable – virtual card

Expand card payment volume and further automate AP processes

Average Transaction = $4724

Purchasing – goods and services

Streamline your procurement process, increase spending controls and improve working capital

Average Transaction = $454

Business travel and entertainment

Provide comprehensive card holder benefits and control T&E spending

Average Transaction = $171

Best practice #1
Spend analysis

The examination of the volume and value of purchasing transactions by supplier. It looks at which suppliers accept commercial cards as a form of payment and identifies which suppliers are the best candidates for card payments.

Review your payment strategy
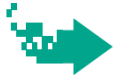
1. Review your mix of payments

Payment mix	Checks	ACH	ETF wires	Commercial cards
Amount #				
% of total				
Spend $				
% of total				

2. Consider the following and their importance

- Cost
- Data – quality data enables supplier negotiations
- Efficiency of process

- Working capital (payment terms)
- Rebates (rewards)

Polling question
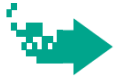

Which method of payment is the most expensive to process?

1. Checks

2. ACH

3. EFT/wires

4. Commercial cards

Savings and simplification attributed to purchasing card use

Cost per transaction

Traditional paper-based PO format	→	$90.20
Plastic purchasing card	→	$20.38
Savings of	→	**$69.82**

Per transaction

Cycle time

Traditional paper-based PO format	→	11.4
Plastic purchasing card	→	3.4
Savings of	→	**8.0**

Days

Process simplification

Traditional paper-based PO format	→	2.3
Plastic purchasing card	→	1.4

Manager approvals

Conduct a supplier enablement analysis

1. **Be prepared to provide a file from your accounts payable platform that includes key information about your vendor payments**

Vendor ID	Site ID	Company name	Street address	City	State	Postal code	Alpha 3 country code	Supplier contact name	Telephone number	Email address	Spend for the last 12 months	Payment type	Number of payments	Number of invoices	Payment terms	Notation of special agreements in place	Customer account number

- Exclude employees (expense reimbursements)
- Supplier contact information will improve results – consider merging files with procurement database

2. **Submit file to Silicon Valley Bank for analysis**

3. **Results provide**

- Data to develop a compelling business case and set program scope
- Baseline statistics for making rationale projections
- Detailed metrics to prioritize opportunities for implementation planning

Supplier enablement analysis findings

Any client							
Match level	# Suppliers	Supplier %	Spend	Transactions	ATS	Spend %	Tran %
Acceptor	358	**78%**	**$44,611,993**	2,099	$21,254	**87%**	**92%**
Non-acceptor	101	22%	$6,894,614	185	$37,268	13%	8%
Total all	459	100%	$51,506,607	2,284	$22,551	100%	100%

The value proposition

- Executive support to change expectations and manage results

- Targeted approach to prioritize the spend by type, supplier etc.

- Multi-departmental involvement in the roll-out process

- Measures and reports of success

Match Level	"X Factor"	$ Volume	# Trans	Volume %	Trans %
Total expected	**20%**	$8,922,399	315	17%	14%

Item	Quantity	Measure	$ Value
Efficiency per transaction	315	$71	$22,354
Rebate on spend	$8,922,399	1.00%	$89,224
Working capital	40	4.50%	$31,469
Check fees	315	$7	$2,251
Other / Discounts / 1099 Savings	-	-	$0
Total value			**$145,299**

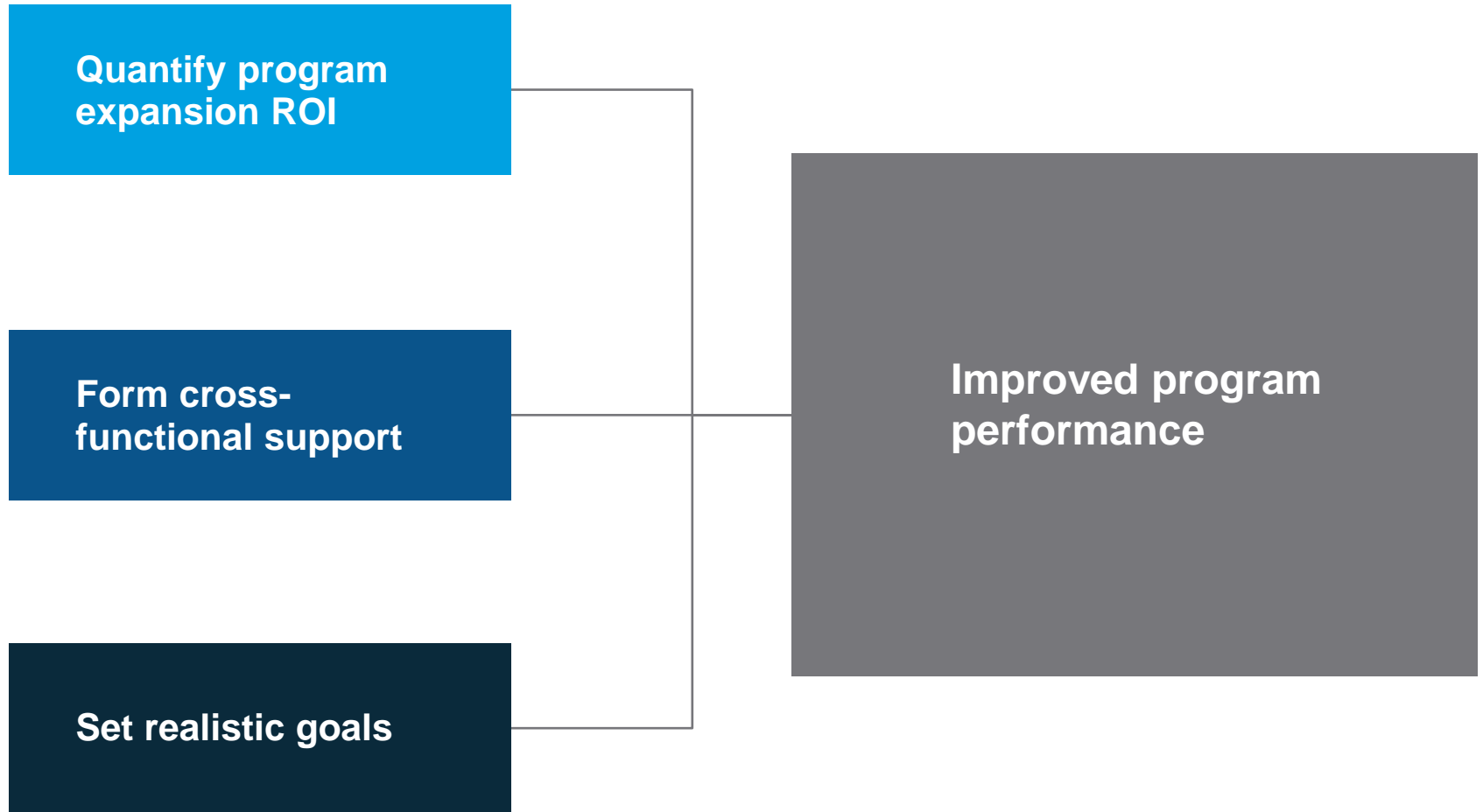*Illustrative Example Only*

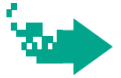# Best practice #2
Frame your program for success

Ongoing strategy to ensure a program flourishes by quantifying the potential return, gaining internal support and monitoring the health of a program through realistic goals that can be measured.

Set your program up for success

Quantify program expansion ROI

Form cross-functional support

Set realistic goals

Improved program performance

Set your program up for success

Quantify program expansion ROI

1. **Calculate process savings**

2. **Determine impact on AP**
   - Invoices eliminated
   - Suppliers removed from MVF
   - Reduction in FTE

3. **Determine impact in Procurement**
   - PO's eliminated
   - Reduction in FTE
   - Value-added activities pursued

4. **Assess reduction in procurement cycle time**

5. **Identify ongoing card performance metrics**
   - % of employees who card cardholders
   - % of transactions under "X" amount on card program
   - Compliance statistics

Set your program up for success
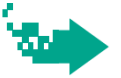
Form cross-functional support

1. Gain executive sponsorship for the project and cross-functional expertise

2. Develop a compelling business case and communicate it to team members

3. Engage current buyers and new cardholders to provide feedback on changing processes

Set your program up for success

Set realistic goals and measure results

1. Establish program parameters that can be measured

2. Collect and compile quantifiable data management monthly

3. Use reports to identify and highlight issues

4. Present highlights of performance progress against goals

5. Recognize performance leaders

Best practice #3
Program management

The proper design and balance of policy and procedures, card types used, targeted spend categories and internal support of the program.

Program management
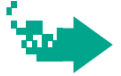
1. **Review / update policies and procedures**

2. **Optimize card deployment**

   - Use of different card types (plastic, ghost, virtual cards, electronic accounts payable, etc.)

3. **Target spend categories**

   - Identify commodities (including services) for card payment

   - Leverage spend analysis data to identify low dollar, low value and recurring supplier payments

4. **Mandate card program**

   - Demonstrate senior management endorsement of the program

5. **Designate a strong program manager**

   - Support time to manage program

   - Measure program performance

   - Incent program administrator to improve card program performance

   - Delegate decision making authority to the card program administrator to improve program

Polling question

What is your number one reason for not expanding your program?

1. Lack of supplier acceptance of card as a payment method

2. Failure to "assess" the potential for p-card spending

3. Lack of resources needed to support program growth

4. Lack of management support

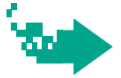5. Have not made program expansion a priority

Best practice #4
Partner with your suppliers

Understand the supplier value proposition of card acceptance and utilize the tools available to drive supplier enablement.

Supplier enablement

1. **Supplier segmentation**

   - Strategic suppliers (small % of suppliers that make up a majority of spend, i.e. 15% = 70% of company's buy)

   - Non-strategic suppliers (non-repeat; one-time purchases)

   - "Others" – in the middle

2. **Supplier benefits of card acceptance**

   - Cost reductions

   - Guaranteed, electronically-deposited funds

   - Potential staff reductions within accounts receivable

   - Faster receipt of payments / improved cash flow

   - Competitive advantage

   - Customer satisfaction

3. **Supplier enablement solutions through Silicon Valley Bank**

   - Holistic campaign approach focusing on appropriate supplier profile types

   - Create value proposition with you and your supplier

   - Coordinate marketing collateral and engagement communication letters

   - Establish campaign metrics and goals
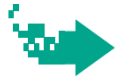
   - Tracking and reporting

Best practice #5
Track your card program

Industry benchmarks established to demonstrate a program's value to executive stakeholders and encourage support for growth initiatives.
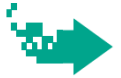
Key metrics to track annually

Metric	How to measure
Usage	• Number of cards issued • Share of internal departments participating • Suppliers enrolled to accept electronic payment
Paper transactions eliminated	• Number of checks • Number of purchase orders • Number of expense reports
Process efficiency	• Cost to process a commercial card transaction • Cost to process an electronic expense report • Cycle time from order of goods through receipt and payment
Working capital gains	• Early payment discounts realized • Increase in days payable outstanding (DPO)
Overall value	• Number and dollar volume of commercial card transactions • Percent of total spend on commercial cards versus other payment options (check, ACH and wires)

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How to measure your card program

Providing this data will enable the Benchmark Calculations to occur.

1. Industry*
   Public – Budget
   - Federal Government
   - State Government
   - City/County Government
   - Universities
   - School Districts
   - Not-for-Profit

   Private – Sales Revenue
   - Agric/Mining/Construct
   - Financial Services/Real Est.
   - Manufacturing
   - Prof./Business Services
   - Software/IT Solutions
   - Telecomm/Media/Entertain
   - Trans/Warehouse/Delivery
   - Utilities
   - Wholesale/Retail/Trade

2. Annual Budget or Sales Revenue*

3. Number of Employees*

4. Number of Purchasing Cards*

5. Annual P-Card Spend*

6. Annual Number of P-Card Transactions*
   OR Average P-Card Transaction Size*

7. Does Organization use Electronic Accounts Payable (EAP)?   ☐ Yes   ☐ No

7a. If yes,
    Annual EAP Spend

7b. Annual number of EAP transactions
    OR Average EAP Transaction Size

8. Rebate

*Required

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Benchmark your program's performance

Calculate and evaluate the benefits
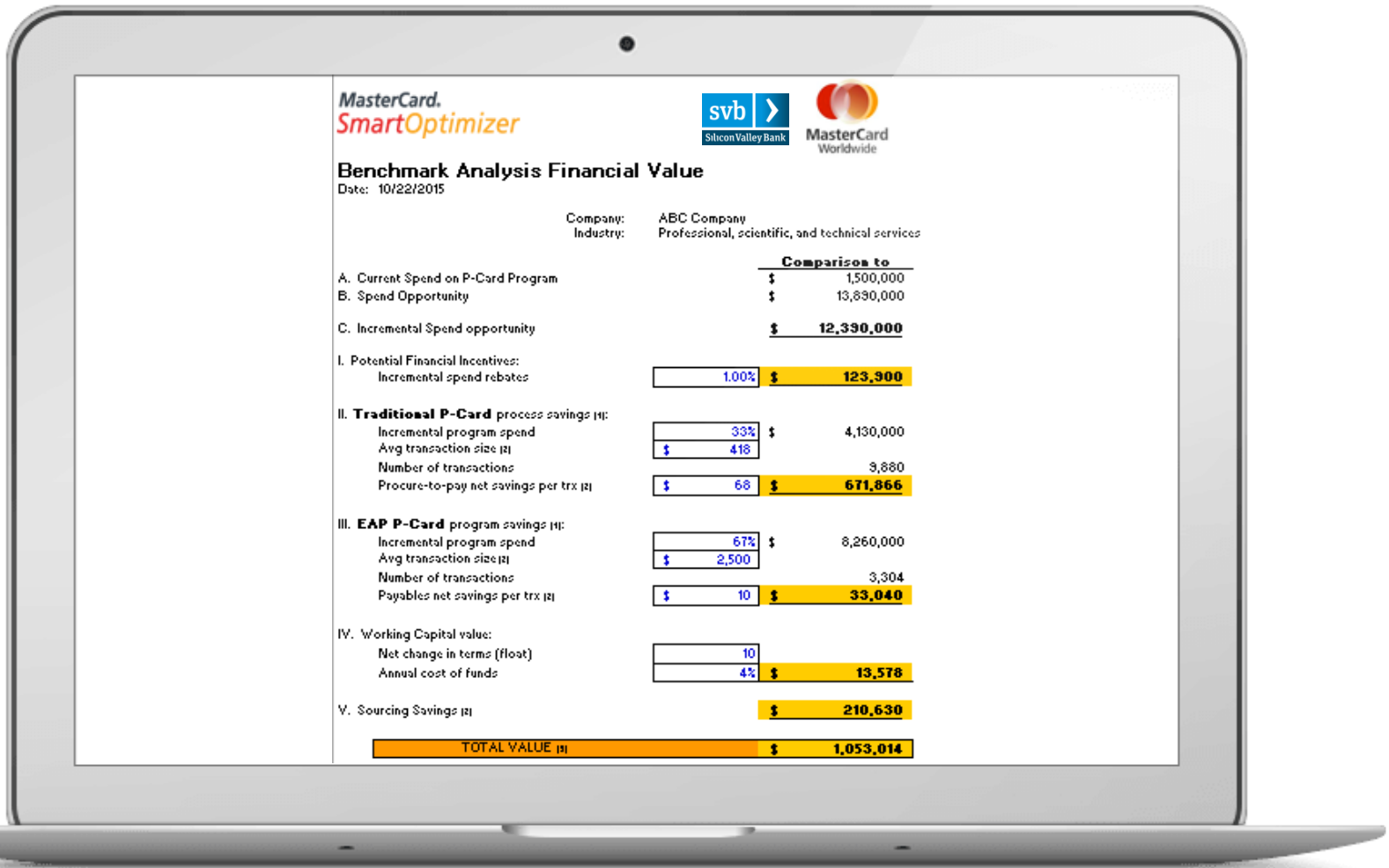
What does a fully optimized program look like?

Corporate cards travel

- Leverage workflow capabilities to request virtual card numbers for employees without cards

- Provide to all employees that travel
- Setup central travel account for primary suppliers

Employee purchasing cards department

- Provide cards to department heads, administrators to pay for non-strategic purchases

Purchasing cards procurement

- Procurement team uses cards for online and telephone orders
- Ghost accounts for trusted routine suppliers

Purchasing cards event planning & project cards

- Assign card to projects with specific budgets
- Purchases associated with specific projects or events can easily be tracked to manage to budget

Purchasing EAP accounts payable

- Use cards in lieu of checks
- Work with suppliers to insure their participation and acceptance

5 Ways to a Stronger Commercial Card Program

1. Spend analysis

2. Frame your program for success

3. Program management

4. Partner with your suppliers

5. Track your card

Questions and answers

We welcome your thoughts

1. **Did the presentation meet your expectations?**

   Yes or No? If No, please explain.

2. **Would you like someone from SVB to contact you regarding your commercial card needs?**

3. **Will the tools presented today help you in optimizing your commercial card program?**

4. **What topic(s) would you like us to feature during an upcoming webinar?**

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Thank you for attending

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