

ENGAGEMENT
SUPPLIERS
VISIBILITY
DIGITAL ACCOUNTS
CONTROL
CORPORATE CARDS
ACCOUNTS PAYABLE
BEST PRACTICE
CARDS **B2B PAYMENTS** CONTROL
DIGITAL ACCOUNTS
ACCOUNTS RECEIVABLE
OPTIMISATION
PURCHASING
LOW VALUE PURCHASE
ANALYSE
CONTROL
BETTER
BUYERS
CARDS
CONTROL
DIGITAL
ACCOUNTS
CARDS



B2B Payments 2015 Australia and New Zealand Research

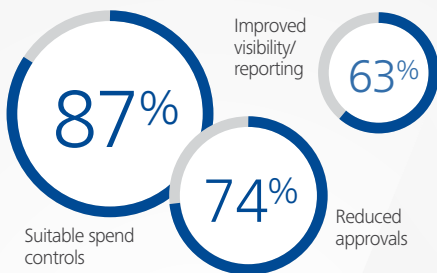
Including: How to optimise the use of purchasing cards and digital accounts

Survey data overview

BEST WAY TO PAY...

Better

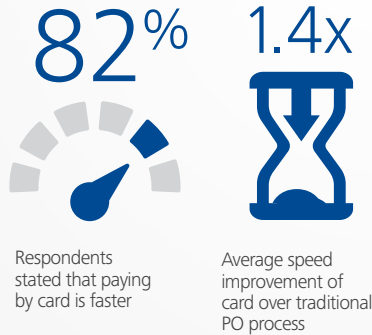
Buyers reported that cards and digital accounts provide:



Top three procure-to-pay technologies



Faster

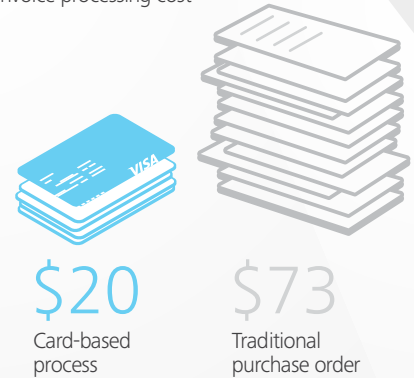


"Cards are a very efficient way to streamline your overall procure-to-pay workflow"



Cheaper

Invoice processing cost



"The technology that comes with cards now is incredible. We've seen immediate cost benefits because we have better arrangements with suppliers."

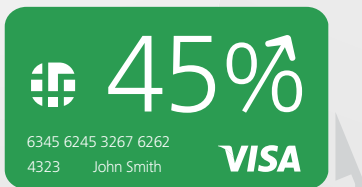
...AND BE PAID

Better

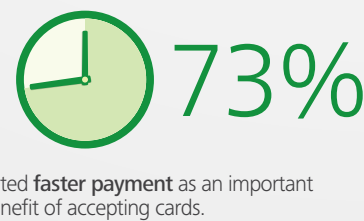
Top benefits of accepting cards (% of accepting respondents)



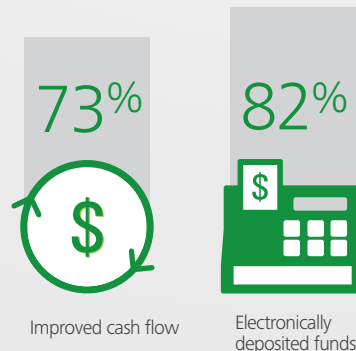
Suppliers stated that accepting cards for B2B payments **increased sales**



Faster



Top two reasons for accepting cards



Cheaper



"It's great for cash flow and it's great for us: less paperwork, less mistakes in the process, better reporting."

Note: Percentages represent share of survey participants selecting the response.

Executive summary

Commercial organisations of all sizes are under continued pressure to improve efficiency and effectiveness. Accounts Payable (A/P) and Accounts Receivable (A/R) functions, whilst not the core business of most firms, are critical to managing the cash flows that are the lifeblood of all businesses. This is especially true for business-to-business (B2B) payments, which represent the majority of commercial expenditures.

Earlier this year, Deloitte undertook a study of organisations across Australia and New Zealand to understand B2B payments and the use of card-based solutions for both A/P and A/R. This document explores the results of the survey in more detail. The study findings indicate that electronic payment methods such as card-based solutions are consistently evaluated as being better, faster and cheaper than alternative mechanisms. This is driven by business process benefits (e.g. improved cash flow, less administration, robust controls), speed improvements (due to digitisation or reduced approval steps) and cost savings (such as lower transaction or total process costs). Similarly, suppliers seeking a condensed A/R cycle as well as improved and more predictable cash flow are providing a growing acceptance base for buyers to depend on cards as one of their primary payment instruments.

The research also found that organisations are increasingly driving towards electronic means of payment as well as experimenting with different tools and providers to add value through capabilities such as data analysis and cash flow visibility. Digital solutions focused on utilising working capital benefits such as single use accounts, virtual accounts and payment platforms are displacing EFT and bridging the gap between physical purchasing cards and trade finance products.

However, whilst the use of card-based solutions is growing, significant opportunity exists to increase and optimise their use. Neither buyers nor suppliers appear to be using cards as much as they desire, in part driven by misconceptions of each other's preferences regarding payment mechanisms.

From the results, it was also evident that organisations could benefit from advice on how to implement or optimise programs for card-based solutions. Transitioning from using cards for travel-related expenses towards greater usage for B2B payments represents a significant opportunity that many organisations were not confident about how to approach. As a result, the study findings have been complemented by a manual comprised of best practice guidance on how to make the most of this opportunity.

Contents

Executive summary	3
1. Survey findings	5
B2B Payments in 2015 and beyond	5
Survey findings: General observations	7
Survey findings: The buyer perspective	10
Survey Findings: The supplier perspective	13
2. B2B Payments optimisation manual	
Introduction	18
A: Building your business case	21
B: Stakeholder engagement and endorsement	24
C: Selecting the right solution	27
D: Selecting your provider	30
E: Agreeing roles and responsibilities	33
F: Defining clear policies	35
G: Establishing a robust controls framework	38
H: Engaging and enabling suppliers	41
I: Integration and leveraging data	46
J: Change management	48
K: How to measure and evolve your program	50
Conclusion	52
Checkpoints	53
Appendix	
Survey approach	56
Survey data: Australia vs. New Zealand	57
Glossary	58
About the authors	59

1. Survey findings

B2B payments in 2015 and beyond

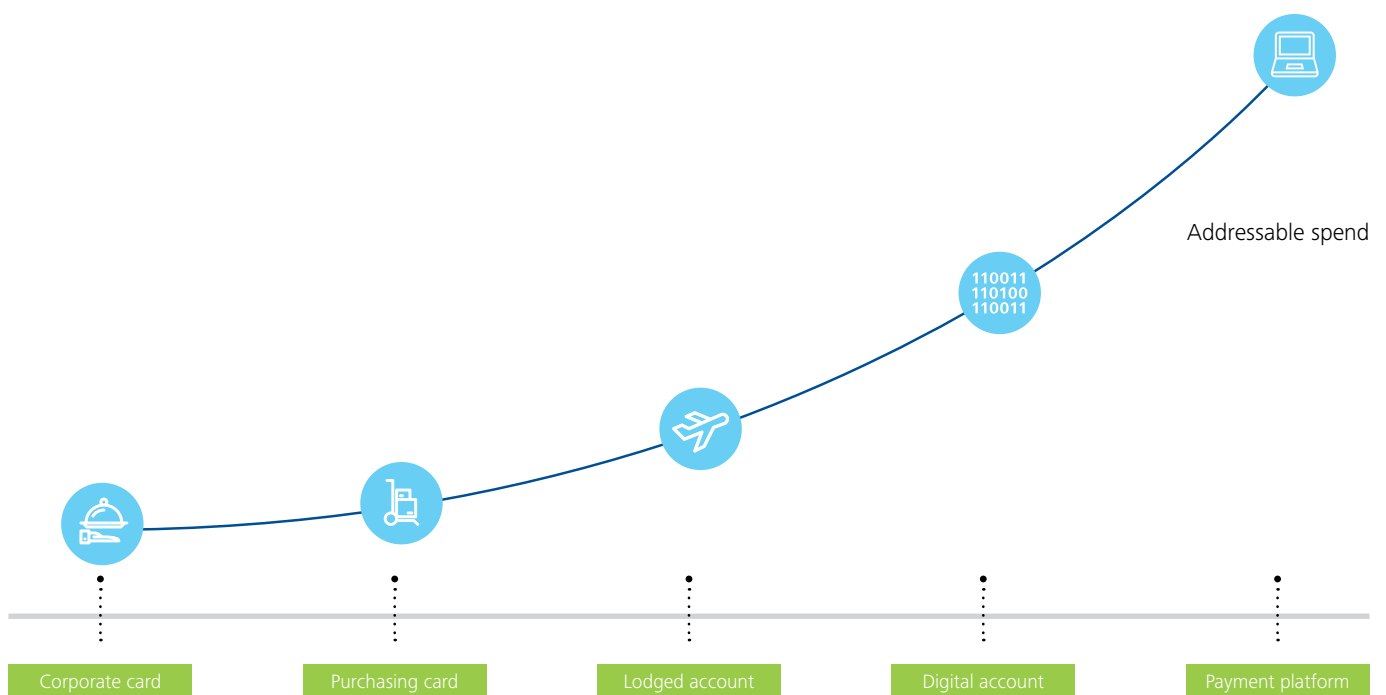
B2B payments are evolving at a rapid pace as technology and commercial realities place ever greater emphasis on efficiency, speed and effectiveness. Key trends include:

- Evolution of card-based payments to become comprehensive digital payment and reporting solutions, often integrated with financial systems for additional automation benefits
- A shift away from a physical card to digital solutions focused on utilising working capital benefits such as single use accounts, virtual accounts and payment platforms, proving suitable for a broader range of addressable spend
- Businesses and service providers are increasingly partnering with Fintechs to enhance the reporting, reconciliation and/or automation of various parts of their procure-to-pay processes.

The evolution of cards

Corporate cards have long addressed T&E expenses, eliminating the need for invoicing, reconciliation and cheque-based payments. Purchasing cards have typically replaced petty cash and spend across non-capex and low-value consumable segments. Card issuers and networks have further evolved their commercial card products to help replace traditional manual purchase order (PO) processes for other B2B payments through tools such as virtual accounts. These are delivered to the buyer as a digital account (a 16 digit number instead of a physical plastic card) that can be used by A/P departments to centrally settle invoices through online payments or card not present transactions, thus expanding the procurement segments that can be settled electronically.

Evolution of card-based payments



Card-based payments are an increasingly integral part of A/P and A/R strategies. Financial systems are also changing to support this, with all major packages now supporting card-based payment and receivable modules. Systems and electronic payment mechanisms are becoming integrated purchasing platforms that can improve elements of the entire procure-to-pay process. This can include the electronic creation, management and delivery of invoices, as well as the automation of reconciliation, refunds, policy enforcement, monitoring and biller aggregation.

Several of these developments are being delivered by card networks and financial institutions in conjunction with new and evolving financial technology players (Fintechs). Partnering with such providers is an increasingly common way to enhance core payment and financial capabilities and embed digital payments as part of the business workflows to improve efficiency, business intelligence, innovation and decision-making.



.....
A variety of Fintech companies are partnering with Visa to enhance the underlying payment mechanisms with features such as:

- Automated procure-to-pay process and procurement marketplaces
 - Universally accepted payment platforms
 - Access to off balance sheet credit on demand
 - Automatic invoice data capture
 - Automation of transaction reconciliation
 - Timely data analysis for greater cash flow visibility
 - Streamlined spend reporting and management
-

Survey findings:

General observations

For the B2B Payments: 2015 Australia and New Zealand Research report, Deloitte surveyed a range of organisations to obtain insights on B2B payment practices and associated costs. The survey was supplemented by in-depth interviews with selected respondents to better understand practices and perceptions¹.

Five broad themes emerged, some confirming previous research and others reflecting changes driven by technology and other forces that are re-shaping the economy. These include:

Sample overview:

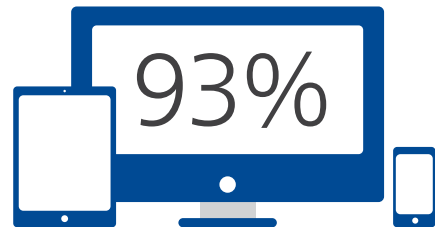
- 150 medium and large organisations making B2B payments
- 2/3 in Australia, 1/3 in new Zealand
- 90% commercial businesses, 10% public sector organisations
- Included users and non-users of cards
- Focus on both buyers and suppliers

1. The shift from manual to electronic processes

It is clear that regardless of the underlying payment mechanism, most organisations have, or are moving towards, automating their procure-to-pay processes.

Electronic payments

% share of transactions made electronically



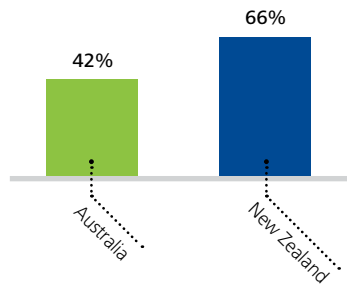
Key observations:

- Starting with the procurement requisition through to payment settlement, purchases are increasingly tracked and managed electronically through an appropriate system (or combination of several)
- In addition to consistency delivered through automation, a clear policy and process framework can provide significant improvement in control and visibility of spend and receivables
- Buyers are often willing to pass on part of the cost benefit to their suppliers in the form of early payment and settlement of invoices in return for end-to-end procurement process transparency and efficiencies. Buyers expressed a desire to work with suppliers to shift from traditional PO processes to less manual mechanisms.

¹ Further detail on the survey approach can be found in the appendix.

2. B2B spend paid via cards/digital accounts is growing

Commercial card spend growth
% increase 2011 to 2014



Regardless of where an organisation is at this point in their journey to digitise A/P and A/R, the shift of volume from manual to automated payments is observed consistently across the surveyed group. Growth in the use of card-based payments has been significant as the shift from paper to electronic payments accelerates in both Australia and New Zealand.

This growth trend highlights opportunities for card issuers, acquirers, processors and enterprise platform providers to leverage market demand for automated B2B payments. However, the data also shows that considerable opportunity exists to further increase the amount of spend that flows through digital account-based mechanisms. Currently less than two percent of total business expenditure is paid using card-based solutions².

3. Analytics, control and visibility are increasingly critical

Top three procure-to-pay technologies

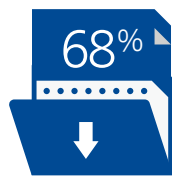


Adoption of automated B2B payment regimes can provide the impetus for organisations to significantly streamline and simplify their operating environment. Improvement in controls, approval processes, transparency and reconciliation are some of the key benefits that the CFOs and procurement professionals reported. Real-time analytics can be enabled, improving management insight into the underlying operations of the business and allowing continuous improvement of processes and controls.

² Source: KAE, Visa and Deloitte analysis

4. A/P and A/R functions are shifting from administration to a more strategic focus on providing financial insight and working capital optimisation

Administrative benefits from card programs
% respondents citing reduction

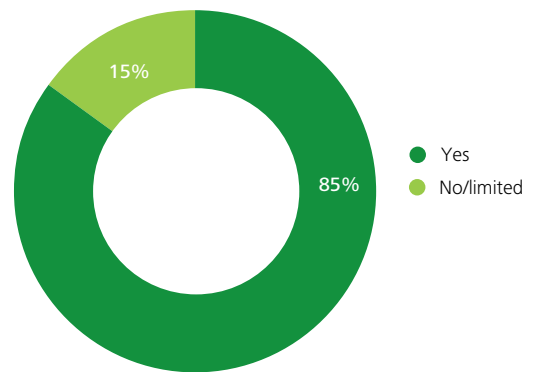


Experienced a reduction in administration

Respondents with more mature procurement and payment processes indicated they are able to manage their cash flows more accurately and efficiently. The ability to leverage data moves the A/R and A/P functions from tactical administrative processing roles to acting as partners to the financial managers in the company. This drives efficiencies in multiple areas, including inventory planning and stock supply management, production capacity planning as well as optimum utilisation of working capital facilities available through banking partners.

5. Both paying and accepting payment by card (or with digital accounts) delivered important benefits for a significant majority of respondents.

Companies achieving benefits from card programs
Share of total



Observations on benefits include:

- Better:** Improvements in administration, control and spend visibility were cited as positive benefits of card-based payments
- Faster:** Reduction in processing time, approvals and payments execution or receipt were also associated with cards
- Cheaper:** The total cost of payments by card compared favourably to other mechanisms and to traditional PO processes
- Opportunity remains:** Only a small proportion of commercial consumption expenditure is captured using card-based solutions. The research suggests that there are misconceptions amongst buyers about the increasingly large share of spend that is in fact 'cardable' and about the willingness of suppliers to be paid by card or digital account solutions. Suppliers similarly underestimated the level of desire that existed amongst buyers to pay using card-based solutions.

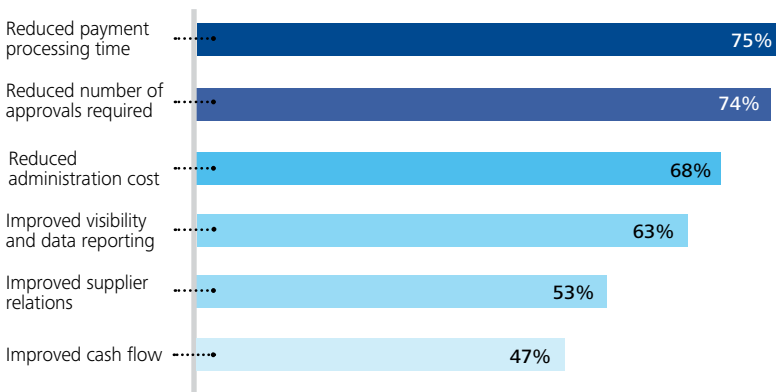
Survey findings: The buyer perspective

The challenge for financial managers and account operations teams is to reduce the cost of procurement without compromising controls and visibility. A card-based or digital payment solution can lower direct transaction processing costs as well as improve compliance and controls, especially for low value but high frequency payments.

Finding 1: Cards are better

The survey group consistently observed that cards increase their control and visibility on the overall procurement process. As well as this, cards reduce overheads and administrative costs compared to traditional payment mechanisms. Almost half of the respondents also noted an improvement in their cash-flow management. The simplicity and speed of payment results in improved relationships with their suppliers, indicating that the benefits of using cards flow on to the supplier side as well.

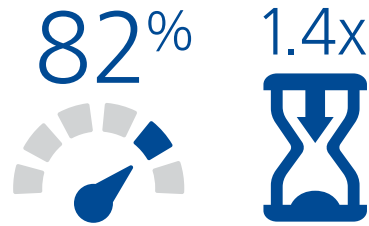
Benefits resulting from card programs
Percent of respondents citing benefits by type



“It’s great for cash flow and it’s great for us: less paperwork, less mistakes in the process, better reporting.”

CFO
Mining contractor

Finding 2: Cards are faster



% of respondents saying card is faster

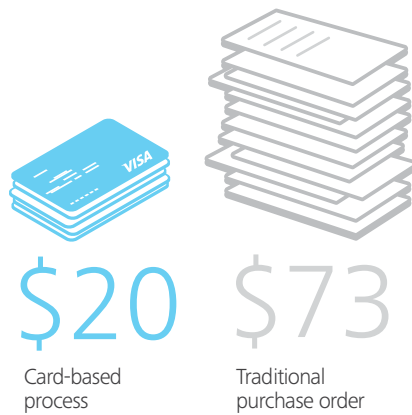
Average speed improvement of card over traditional PO process

The electronic and real-time nature of card payments significantly reduces the time required to process payments. Eight out of ten respondents indicated paying by card was faster than traditional PO processes and reported an average improvement of approximately 1.4 times (or 44%) in the speed of settlement when paying with cards.

Card-based payments typically reduce the number of approval steps required in a PO process through the application of automated controls. Almost half of the respondents (49%) reported that they required two or less approvals for card-based transactions, whereas just 29% attained two or less approvals for traditional PO processes.

Finding 3: Cards are cheaper

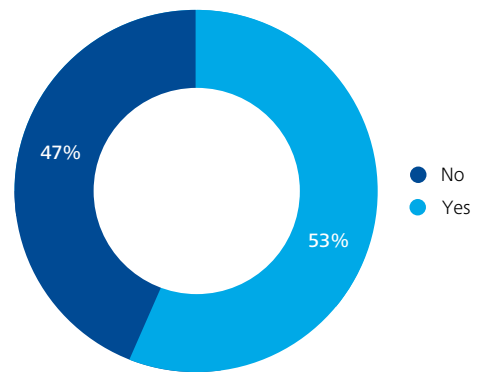
Invoice processing cost
Average cost by process



Respondents reported that the traditional purchase order process cost is more than three times greater per invoice than using a card-based process, representing a saving of **\$53** per transaction³. Reduction in paper-based processing, administration effort, approval overheads and banking costs all add up to make cards a highly cost-effective payment method.

Finding 4: Still opportunity to increase adoption

Card program penetration
Share of respondents with card programs in place

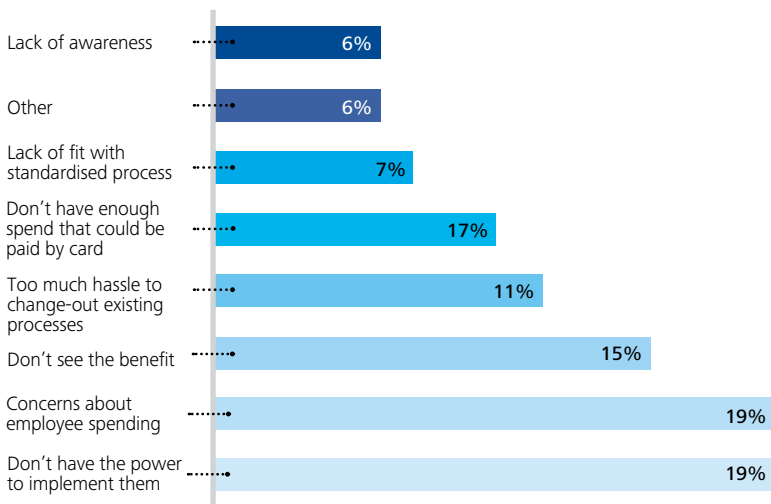


Despite the various benefits of using card and digital account-based payment mechanisms, there are still many organisations that have not yet implemented programs. 47% of companies surveyed did not have a card program in place and almost three quarters did not make use of cards that are assigned to an employee in A/P to pay eligible invoices.

³ At the time of the research the Australian and New Zealand dollars were near parity and thus no conversion need be made for the purposes of this cost comparison.

Reasons for not having a card program

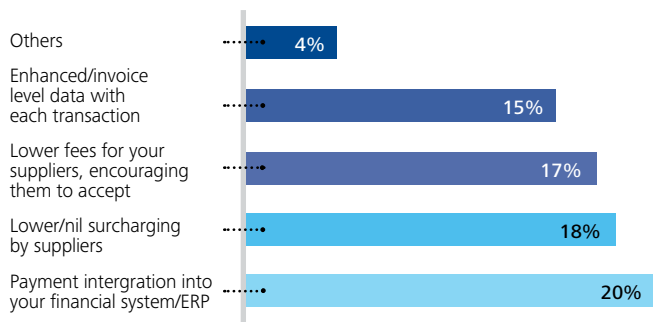
Number of respondents based on reason



Major factors influencing those organisations that don't have a card program include concerns about controls, as well as the effort involved in implementing a card program. Some businesses felt that due to the size of their 'cardable' spend the benefits may not outweigh the cost. This all suggests that there are opportunities to enhance understanding and provide guidance on how to structure a card program and implement the required controls.

Factors that would encourage the use of card and digital/virtual card accounts

Number of respondents based on factors that would encourage the use of card accounts (multiple responses possible)

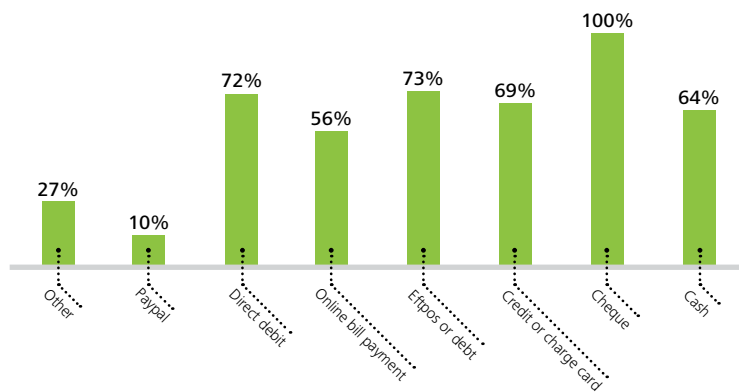


Businesses that are still undecided on implementing card programs would be encouraged to make that decision if they could easily integrate with internal financial systems (for 'data-rich' transaction information and improved insights) and if the perceived costs (e.g. supplier surcharges) were lower. It should be noted that over a quarter of respondents indicated that none of the suggested factors would encourage them to adopt cards. Subsequent interviews with respondents suggest this is linked to a risk perception around cards (e.g. regarding inappropriate employee spend) and to a view that cards are not applicable in a B2B context.

Survey findings: The supplier perspective

An important feature of this study was the inclusion of the supplier and A/R perspective as past research has tended to focus on buyers and A/P. Amongst other insights, this has identified that suppliers share many of the same benefits from card usage as buyers, but also that there are misconceptions about cards and about buyer preferences that hamper adoption.

Payment acceptance methods
Number of respondents who accept the following payment methods



In terms of current payment method acceptance, cheque was the most commonly accepted form, with the next three being all electronic, including cards at 73% (debit) and 69% (credit). Despite its broad acceptance, cheque was seen as a legacy instrument that most respondents reported wanting to replace with electronic payment mechanisms.

Finding 1: Cards are better

Suppliers that accept card-based payments highlighted a number of important benefits, with more than half citing:

- Working capital improvements through faster payment
- Cost savings through reduced processing effort
- Administrative simplification resulting from improved reconciliation and electronic deposits.

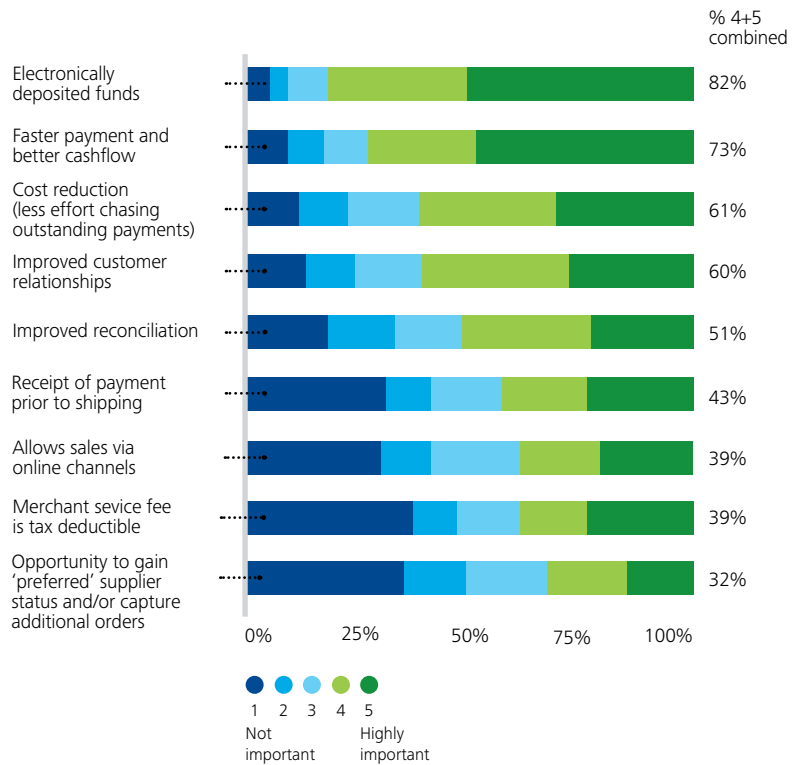
In addition to the above, 45% of suppliers reported an increase in sales volume once they introduced card acceptance for B2B payments. None reported a negative impact.

Percent saying accepting cards for B2B payments **increased sales**



Benefits of receiving payment by card

Ratings by respondents of the importance of each card acceptance benefit



Less tangible but in some cases even more important was the improved customer relationships that could develop through better integration with buyers' processes. Digitising payment processes can provide benefits to both suppliers and buyers, but requires both sides to work together to be realised (see the Optimisation Manual in the second half of the report for ideas on how to achieve this).

Finding 2: Cards are faster



Rated **faster payment** as an important benefit of accepting cards.

While the working capital benefit of card-based transactions has a positive impact on buyers' cash flow, the speed of card transactions can have a much more direct and significant impact to suppliers. 73% of the surveyed group cited improved cash flow as an important benefit of accepting card for payments. With payments authorised in real-time and typically settled in less than two business days, suppliers have observed better control over their receivables, with tangible benefits for the business.

Finding 3: Cards are cheaper



Indicated that cards **reduced the cost** of doing business

Almost half of the respondents reported a decrease in overall business costs as a result of accepting card-based payments. As observed above, electronic payment mechanisms like cards tend to reduce manual intervention and reconciliation effort. Together with better data and analytical insights this can significantly improve the operational performance, which can offset the merchant service fee paid to the acquiring bank.

Finding 4: Still opportunity to increase adoption

Despite the various benefits of cards and digital account-based payment mechanisms, there are still many suppliers that do not accept cards or see it as a consumer-focused solution. One of the primary reasons stated was the merchant service fee associated with a card transaction. This was often regarded in isolation, not accounting for the overall process cost and potential for reducing operating costs (staff, postage, stationary, banking fees, etc.) nor considering the potential upside of accepting cards on the top line.

There was also a perception that buyers 'do not want to pay by card,' which suggests a disconnect with the perspectives reported by buying organisations in the study. In fact, buyers using card solutions expressed the desire to further increase their use, including being willing to absorb some of the cost of acceptance in return for faster payment (such as through a discount).⁴ Suppliers also often viewed cards as a consumer-focused mechanism, indicating that the amounts being transacted were not appropriate for cards. In response to growing demand for large transactions, Visa has raised limits, making card-based B2B transactions up to US\$10M in value now possible.

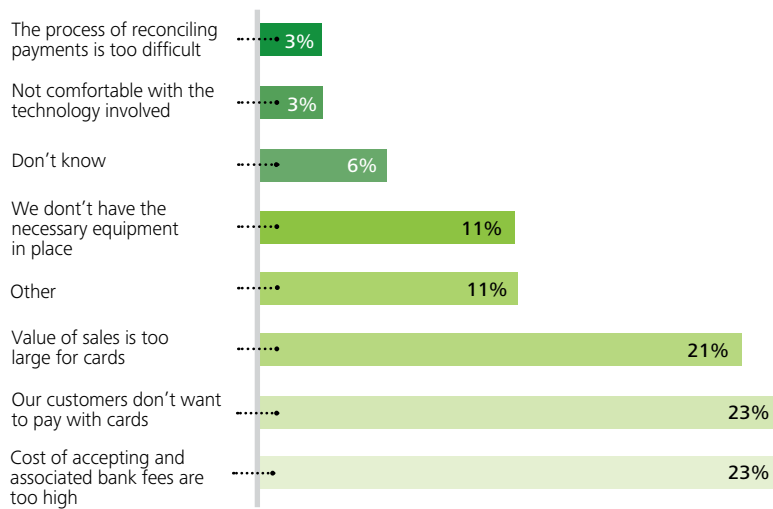
"The ability and willingness for suppliers to accept card-based payments will be key to how much of our procurement can be settled through cards"

CFO
Professional services firm

⁴ See appendix for further detail.

Reasons for not accepting card payments

Number of respondents that don't accept cards for the following reasons



As indicated above, there are a number of challenges in implementing and optimising card programs (e.g. effort involved, initial cost, limited understanding of benefits). Like any process and organisational change, implementing a card program requires well-managed effort to succeed. The study interviews indicated that opportunities exist to improve both initial implementation of such programs as well as to optimise their on-going operation. To assist organisations in this regard, a manual of best practices for the implementation and management of card-based payment solutions has been developed and follows in the next section.

B2B Payments Optimisation Manual



2. B2B Payments Optimisation Manual

Introduction

Feedback from the research and broader experience working with numerous organisations across the globe has indicated that buying organisations could benefit from support in optimising the use of card-based payments for B2B purchases.

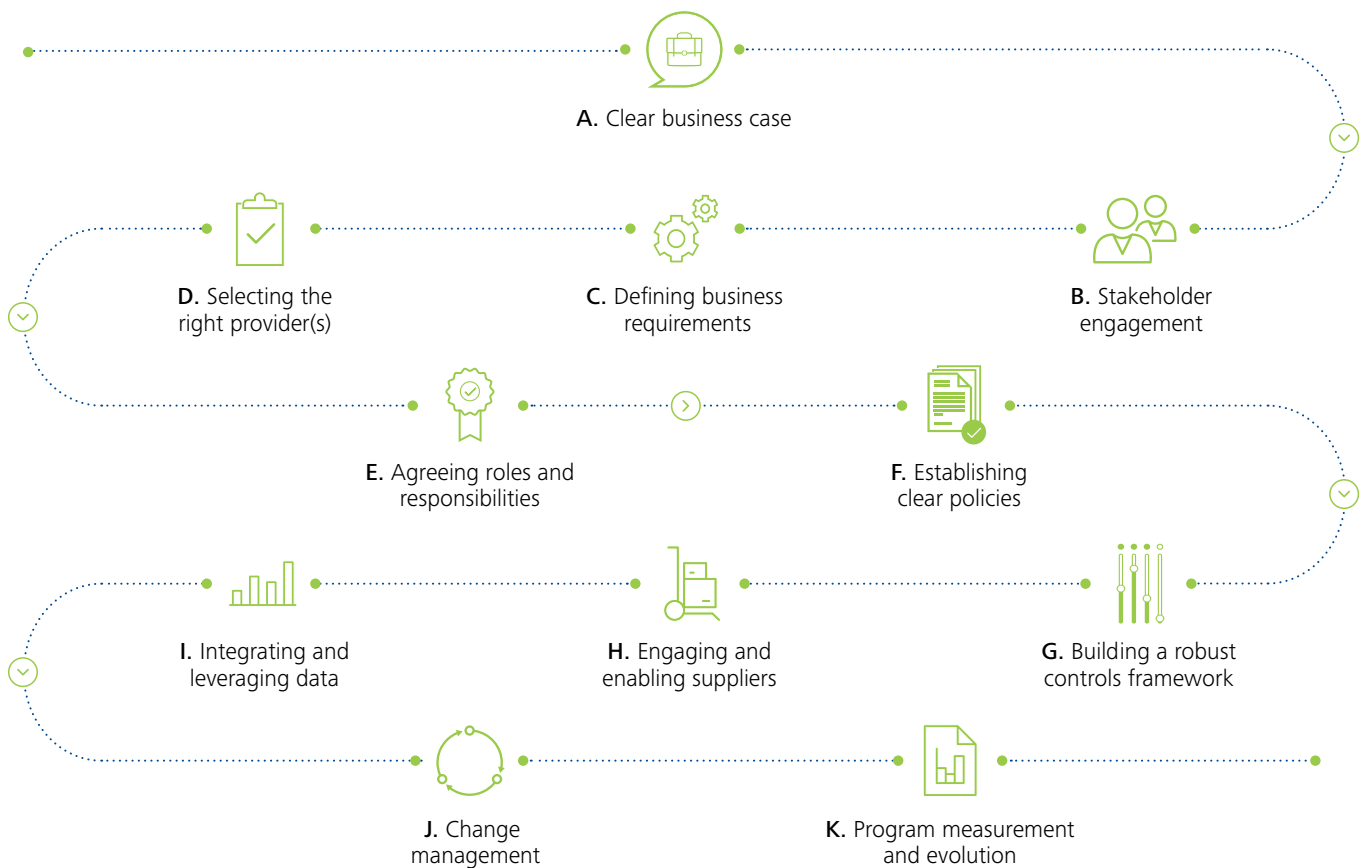
The research demonstrated that there are a number of internal challenges to be overcome when designing a purchasing and payment process (shown below):



The findings from the survey also highlighted a common disconnect between buyers and suppliers which is limiting the adoption of these payment methods in a B2B environment. Many organisations are capturing T&E spend (air fares, hotels etc.) via card-based payments, however, there is limited use of cards in a broader procurement context.

For these reasons, this manual has been developed in conjunction with PayTech Commercial to offer some clear and practical recommendations to both public and private sector organisations seeking to implement or optimise a card-based program for B2B payments. It will navigate you through the following roadmap:

B2B payments optimisation roadmap



Who should read this?

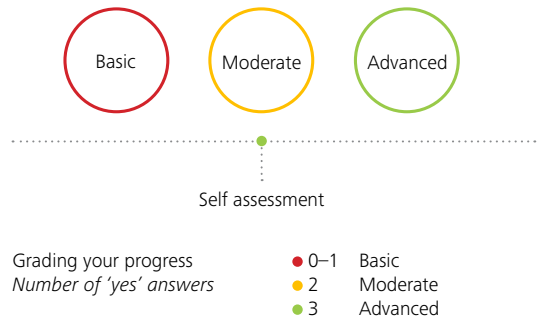
Organisations that are:

1. Reviewing their procure-to-pay policy
2. Not familiar with card-based payments
3. Considering establishing a purchasing card program or digital accounts strategy
4. Experiencing difficulties in fully deploying their card program to capture all relevant purchases

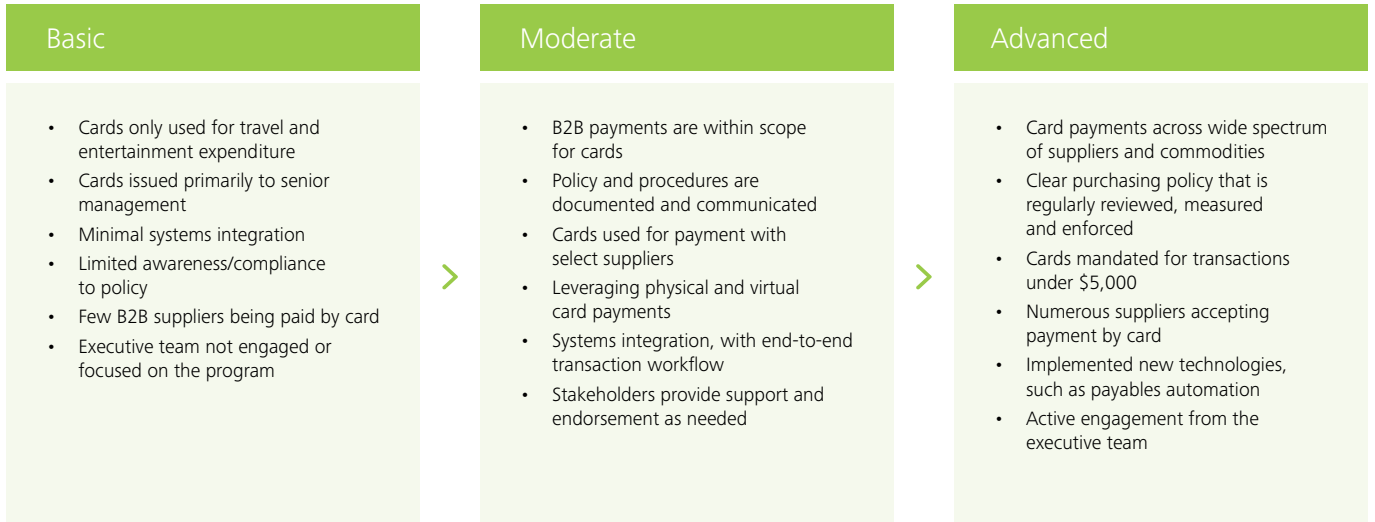
Checkpoint – Assessing your progress

To help you to review your organisation’s B2B payments maturity, at the end of each section you will be asked three questions. The more of these questions you can answer with ‘Yes,’ the more advanced you are in terms of optimising card program performance.

As a starting point, you can review the guide below to assess the maturity of your usage of card-based payments. Organisations in either the ‘basic’ or ‘moderate’ levels should be able to benefit most from the recommendations in this manual.



Cards payments maturity model



A. Building your business case

Card-based payments are a core part of many organisations' procure-to-pay strategy as they can deliver significant process improvements and cost savings. For organisations looking to maximise the potential benefits, establishing a business case will assist with:

- Understanding the potential uses
- Engaging key stakeholders
- Assessing the change effort and cost
- Gaining executive endorsement

The first step will be to identify the transactions to be captured via card-based payments and the estimated process saving per transaction (see further detail below). Using this and other data points will help you to develop the business case, covering elements such as those shown below:

Benefits
Working capital improvement
Process savings
Supplier discounts

In undertaking this analysis you can leverage the support of payments industry providers, who will have tools to assist you to establish the business case (such as benchmarking data, business case templates and cost savings calculators).

Not all company purchases will be suited to a card payment. In later sections, we share recommendations on how to identify suppliers and the types of spend that could be targeted.

Case study

One of the companies we surveyed cited transparency, better controls, the removal of 'time-lag' in payments and a desire to achieve cost-efficiencies as key drivers of implementing a card program.

“Our old system was very ‘hindsight’ – we have much better control now. The technology that comes with cards now is incredible. And we’ve seen immediate cost benefits because we have better arrangements with suppliers”

CFO
Agricultural company

Cost of change
Project resources
Technical support
Administration staff

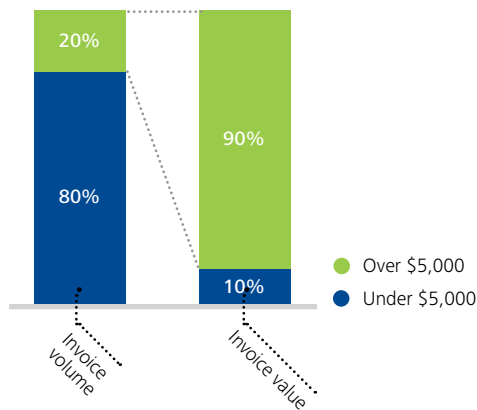
Quantifying the benefits

The business case for card-based payments is centred on removing cost-intensive manual processes that are not suited to low value payments. Across many organisations it has been observed that invoice values under \$5,000 account for less than 10% of overall spend but approximately 80% of transactions processed⁵. These low-value, high-frequency transactions drive significant processing costs and represent a compelling opportunity to free up resources and time.

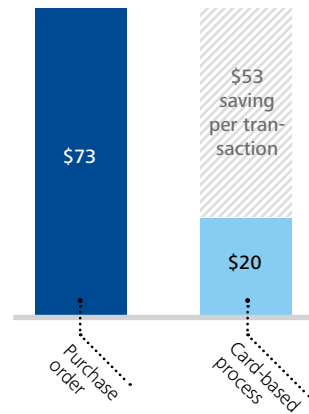
The study findings suggest that for each invoice moved onto a card-based payment, the average process saving is \$53 per transaction. In absence of your own data, when calculating your process benefits you could use this figure for each transaction that can be moved away from a traditional purchase order (PO) process.

These savings, coupled with improved cash flow and potential supplier discounts, are the main benefits for most organisations.

Transaction distribution
Volumes and value by size



Average total cost of purchasing process



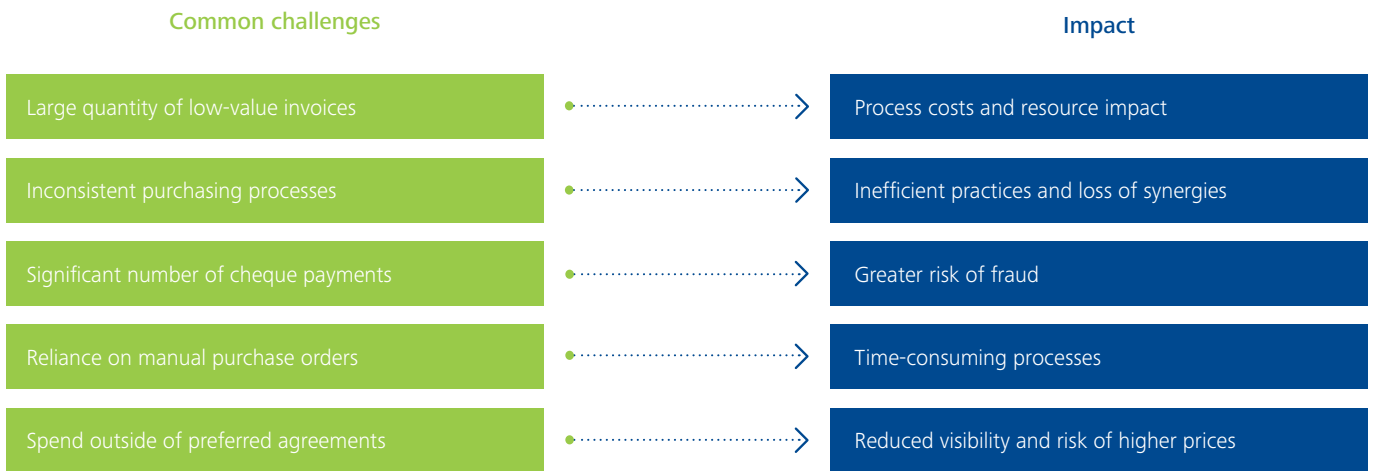
“We used to manually settle over 20,000 invoices per month for low-value, high-volume purchases. We have been able to reduce this substantially using our purchase card program”

Head of finance
Healthcare service provider

⁵ Source: Visa, Deloitte analysis

Understanding the change

In addition to identifying the potential benefits, it is just as important to have analysed your current processes and understand how process-related challenges might be mitigated.



Having confirmed the issue(s) the new solution will address, you should work to understand the extent of the proposed changes, as this will identify the effort required for process re-engineering, IT development or system integration. Relevant stakeholders from these areas should be engaged at the beginning of the project in order to obtain buy-in to the new process and to ensure any required resources are allocated.

Checkpoint – Assessing your progress

To assess the completeness of your business case, you should review if you have:

	No	Yes
1. Established a 3–5 year plan highlighting costs/savings?	<input type="checkbox"/>	<input type="checkbox"/>
2. Developed this plan by leveraging industry sources to provide robust data points?	<input type="checkbox"/>	<input type="checkbox"/>
3. Had the plan endorsed/signed-off by key executives?	<input type="checkbox"/>	<input type="checkbox"/>

B. Stakeholder engagement and endorsement

Organisations are increasingly time constrained and have to prioritise internal projects and goals that compete for the same resources. To drive success, it is imperative that you have buy-in from senior executives.

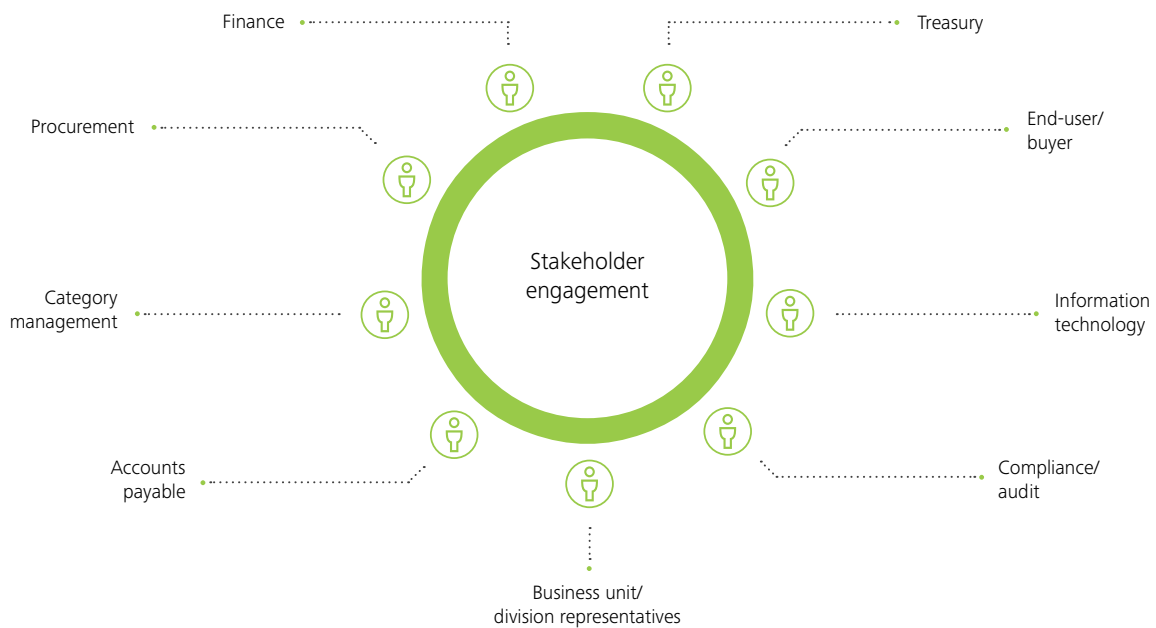
Not only will this ensure that the project receives appropriate prioritisation, but you can also leverage senior stakeholders to drive the change and help to set and enforce mandates for optimising card-based payments.

Identify relevant stakeholders

Typical stakeholders that you need to engage are shared below, noting there may be slight variations depending on your organisation size and structure.

“This strategy is driven by our CEO and his desire to see predictability and stability in our cash-flow, along with key measures such as profitability and sustained revenue growth.”

Head of finance
Healthcare service provider



Assembling your project team

The project team need to have a clear understanding of their roles and responsibilities. The guide below can assist with identifying relevant activities.

Functional area	Project role
Accounts payable	<ul style="list-style-type: none">• Ensure end-to-end process is suitable and meets known requirements relative to procedure and policies
Category management	<ul style="list-style-type: none">• Validate payment approach for key segments/suppliers• Support proposed supplier engagement strategy
Compliance/audit	<ul style="list-style-type: none">• Ensure proposed processes meet requirements and that the relevant control and review points are in place
End-user/buyer	<ul style="list-style-type: none">• Ratify processes and tools and advise how the proposed model could impact existing procedures
Finance	<ul style="list-style-type: none">• Typically assumes the project owner role (or treasury/procurement)• Develop the business case and relevant payment strategy with key partners
Information technology	<ul style="list-style-type: none">• Support requirements gathering and system integration planning
Local business units	<ul style="list-style-type: none">• Share current business practices, checking any bespoke requirements are met
Procurement	<ul style="list-style-type: none">• Validate that the project is in line with the overall payment strategy• Ensure relevant processes and policies are put into place
Treasury	<ul style="list-style-type: none">• Review the business case and provide oversight and support• Leverage the existing relationships with key partners (i.e. banks)

You should also clearly identify who will lead and co-ordinate the project (typically Finance, Treasury or Procurement) and designate the resources and accountability necessary to be successful in your organisation.

Case study

A manufacturing company working to adopt a purchasing card solution was noted to have driven the project solely from within the Treasury Department. Having selected a payments provider, the project subsequently struggled to gain momentum during the implementation phase, as resources from other functional areas had not been engaged to support the change management effort.

Organisational readiness

You should have a clear understanding of any internal and external factors that are likely to pose a threat to or have an influence on the project. These may affect the timing or the approach to implementation. Below are examples of such considerations:

Internal factors

- Identify all stakeholders or interested parties, that will influence the decision, or will be required to assist in deploying the end solution
- Clarify any other projects and priorities which exist that may impact the timing of resource availability
- Review any prior experience of card payments that exists within your organisation, and explore if these resources are available to assist the project
- Consider how you will capture the needs and requirements of all business units, and how broad the engagement should be across the company

External factors

- Identify existing contracts with card providers, and any restrictions or financial incentives tied to existing agreements
- Work with treasury and internal teams to understand any banking relationships, and any other balance of trade considerations so these can be discussed at the outset
- Understand any third party providers that may be important to the new solution (e.g. expense management systems)
- Explore sources of useful information to assist with market analysis. For example, card networks can offer tools and insights to help develop your business case

Checkpoint – Assessing your progress

To assess the extent of your stakeholder engagement, you should review if you have:

	No	Yes
1. Obtained senior sponsorship/endorsement at board level?	<input type="checkbox"/>	<input type="checkbox"/>
2. Assembled a cross-functional project team, including all relevant departments?	<input type="checkbox"/>	<input type="checkbox"/>
3. Secured the necessary resourcing and budget for the project?	<input type="checkbox"/>	<input type="checkbox"/>

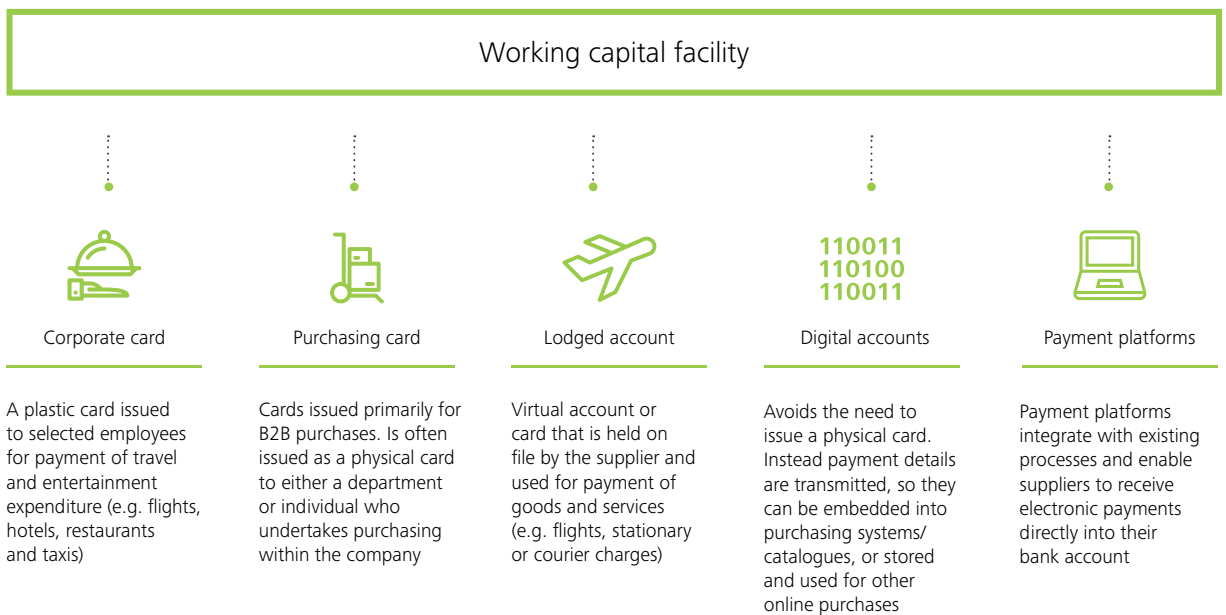
C. Selecting the right solution

Card-based payments come in a number of forms, which can be complicated by the varying terminology and acronyms. The purpose of this section is to demystify these payment methods so that you can make an informed choice. In addition, the appendix contains a glossary that further explains key terms.

Payment methods

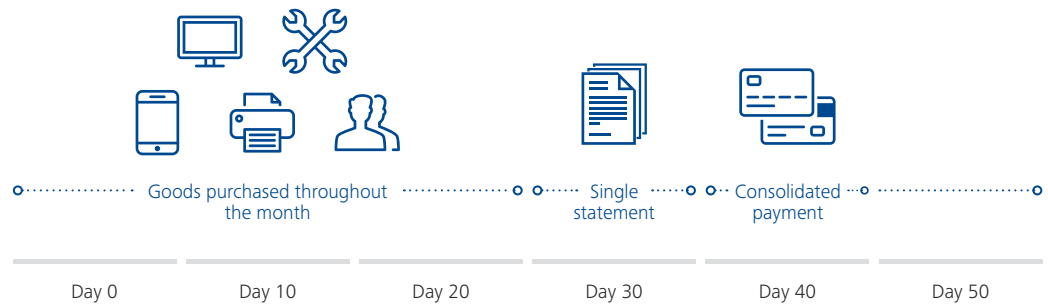
With the advent of digital payments the term 'card' is quickly becoming a misnomer. Put simply, a charge card is a working capital account. It enables your supplier to be paid for goods promptly, while simultaneously offering the buyer extended terms to repay the financial institution that funded the payment (your provider).

These working capital accounts come in a variety of physical and digital forms, including plastic cards. A purchasing card is simply one method of storing the working capital account details, so that the buyer and the supplier can exchange them as part of the transaction process. It is basically a facility that will enable you to 'buy now and pay later'.



Working capital benefit

In addition to improved process efficiency, the fundamental basis of the business case for these solutions is the working capital improvement that can be achieved.



The diagram illustrates the potential working capital benefit from a card-based payment. Instead of paying for goods and services at the time they are purchased, card-based payment allows you to 'pay later' in a consolidated format. The exact benefit will be based on your current agreed payment terms.

It is also worth noting that funding this working capital benefit is a key cost to your card provider, as they are making the payment to your supplier at the time of purchase but are not receiving payment from you until after you receive your monthly statement. Therefore, the longer the payment terms that you demand, the greater the cost to your provider.

Case study

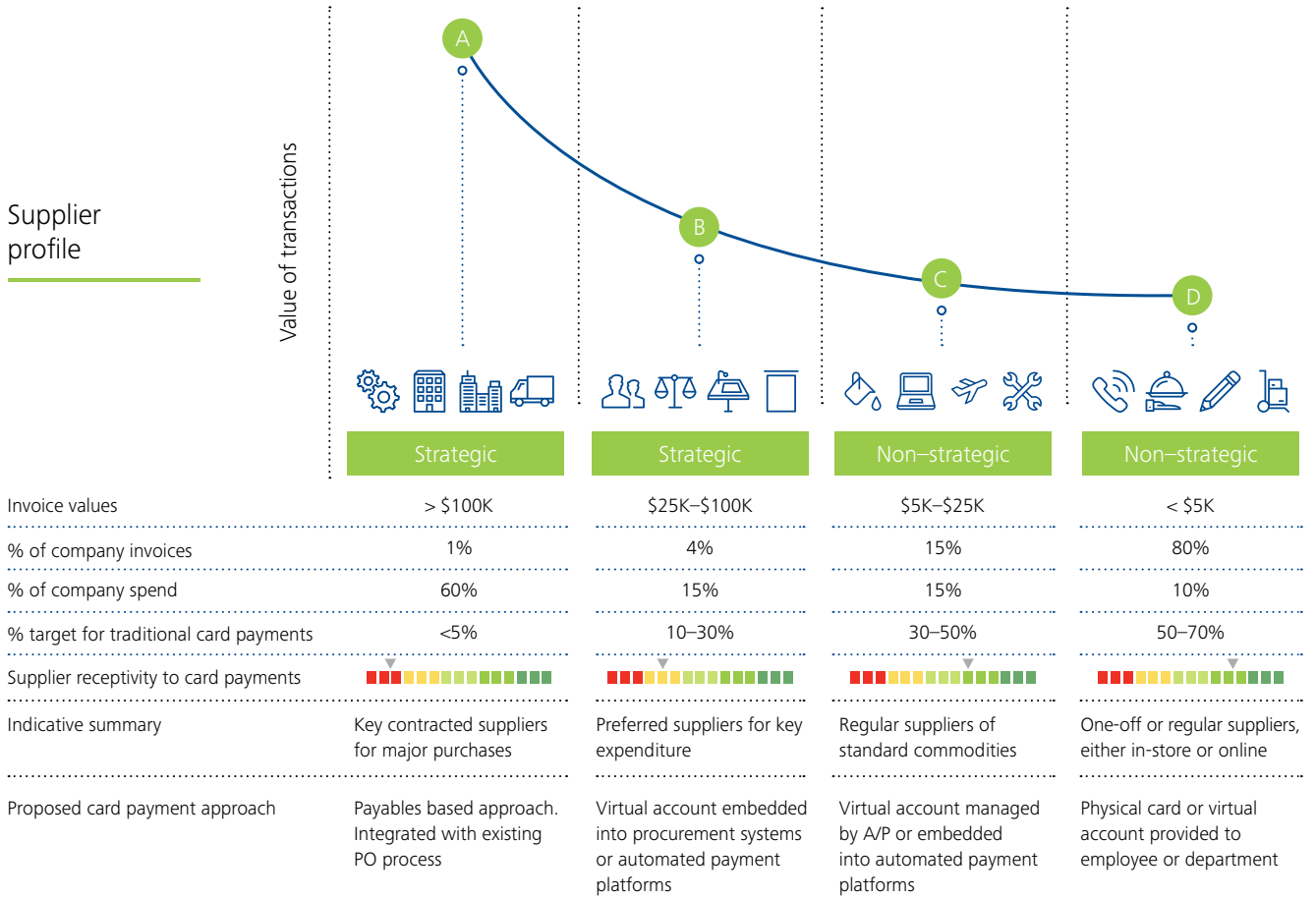
An Australian catering company is using a purchasing card to pay the monthly invoices from its largest supplier, giving it an additional 30 days to pay.

"This allows us to keep our money in our account longer, earning us interest or being used in other ways to better serve the business."

CFO
Catering company

Identifying suitable transactions

The challenge for most organisations is identifying the most suitable payment method for each transaction and supplier. The chart below outlines where card-based payments should be considered, addressing both strategic and non-strategic purchases.



Checkpoint – Assessing your progress

To assess if you have clarified your requirements, you should review if you have:

No
 Yes

1. Understood the range of working capital account solutions that are available? No Yes
2. Identified the factors that have an impact on where the various working capital account solutions (e.g. purchasing cards) can be used in your organisation? No Yes
3. Clarified which suppliers and purchases within your organisation are well suited to these types of payments? No Yes

D. Selecting your provider

At the outset, selecting the right provider is a critical part of the process. Before you start it is important to identify your objectives and the challenges that your organisation might face. This will inform the way you design the process to select a provider that best suits your needs. If you are confident that your current card provider is able to assist then advance to the next section.

Designing the right process

Below are several recommendations for sourcing your provider:

- 1. Run a consultative process.**
It should be open, inclusive and allow potential providers to share their experience and recommendations
- 2. Ensure clarity in what you require.**
In addition to the features of the respective products, it is critical to secure the level of support you require to assist with the implementation and throughout the life of the program
- 3. Leverage industry expertise.**
Invest time to gain a deeper understanding of the subject matter, and leverage tools and support that third parties can provide. This can include the card networks and also specialist consultants
- 4. Establish a set of achievable timeframes.**
Allowing time to find the right provider will save considerable effort throughout the sourcing and implementation processes
- 5. Include all relevant decision makers.**
Ensure inclusion and buy-in from the very beginning
- 6. Design a process that enables clear assessment of providers.**
Too often organisations issue proposal documents and run presentations without a clear and efficient scoring method
- 7. Share information and be inclusive.**
Provide suppliers with sufficient data regarding your current processes (e.g. volume, number of suppliers, number of transactions, objectives and timeframe).

Building the right proposal template

If designing your own Request for proposal (RFP), there are some tips that you should consider to ensure the potential providers have the best chance to share all relevant information.

Building the right proposal template

If including multiple countries or solutions, the sourcing and implementation will be more complex. Be sure to focus on those areas that deliver the largest returns for the organisation.

Free text responses are harder to analyse, and they also enable card issuers to use generic language or caveats, such as 'where possible...'

Using a spreadsheet format will help you focus on the items that are most important to you, and will also assist in identifying who is able to meet your needs.

It is important to use common industry language and be clear about what you are asking.

Allow providers a reasonable time to complete the proposal as time constraints can provide an excuse for inaccuracies.



Functional aspects and features of the solutions are important, but just as critical is the level of expertise and support you will be provided throughout the life of the program.

Proposal template

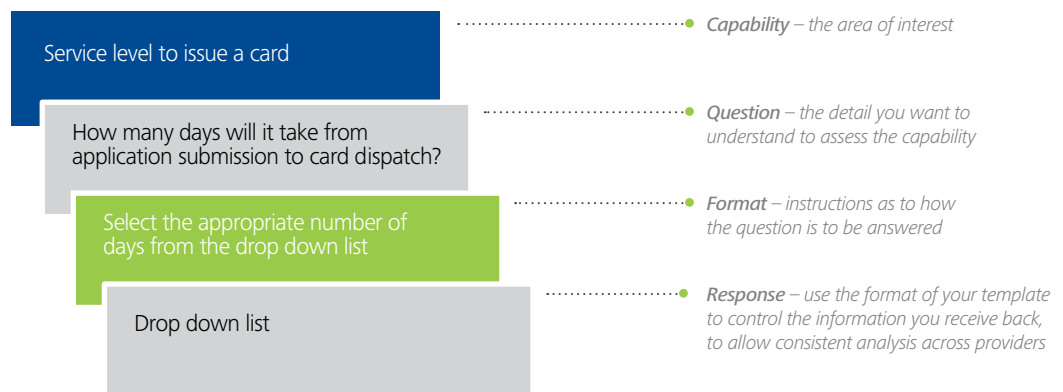
When developing a proposal it can be useful to draw on the expertise of industry experts to avoid the common miscommunication between buyers and suppliers. There are a number of topics that should be addressed in detail, including:

- | | |
|-------------------------|-----------------------|
| ✓ Coverage | ✓ Contracting |
| ✓ Controls | ✓ Implementation |
| ✓ Reconciliation | ✓ Program support |
| ✓ B2B solutions | ✓ Pricing |
| ✓ Online administration | ✓ Relevant experience |
| ✓ Customer service | ✓ Reporting |

Across each area a number of detailed considerations should be made. To assess the capability of the potential providers, there are a number of questions you should ask and assess. As illustrated in the example below from the PayTech Sourcing Toolkit, the structure you adopt will drive the quality of the responses to the questions you have:

You should also ensure you identify those areas of most importance to you and assign suitable weightings to the questions that address your key requirements.

Proposal template example



Issuing the proposal

It is important that you reach out to all suitable potential partners, which should include your current transactional banks. It is recommended you choose a smaller number of card providers, and invest more time with them to understand their solutions in greater detail. This should also include what support they will be able to provide to assist you to optimise your program.

Checkpoint – Assessing your progress

To assess if you have an effective sourcing approach, you should review if you have:

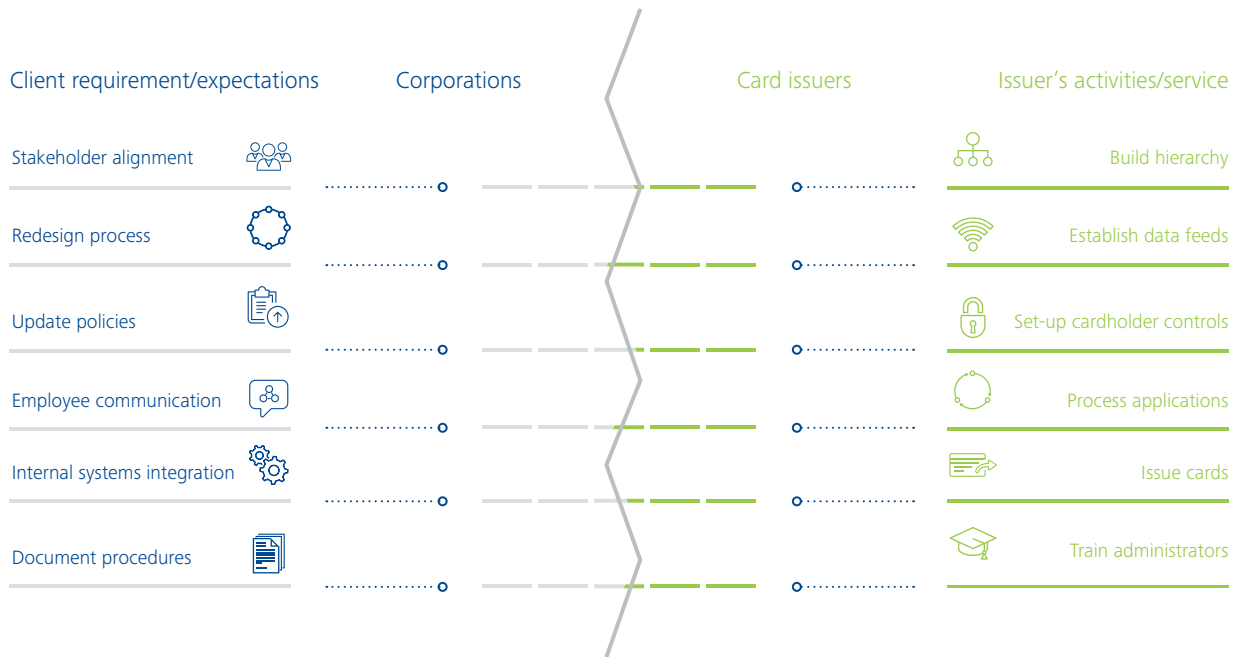
	No <input type="checkbox"/>	Yes <input type="checkbox"/>
1. Accurately captured your requirements and fully understand the solution that you are buying?	<input type="checkbox"/>	<input type="checkbox"/>
2. Developed a proposal format that will allow you to easily assess a number of different responses from potential providers?	<input type="checkbox"/>	<input type="checkbox"/>
3. Designed a consultative process, and have engaged with potential providers in an open dialogue from the outset?	<input type="checkbox"/>	<input type="checkbox"/>

E. Agreeing roles and responsibilities

A critical part of the process is ensuring all parties understand their responsibilities. This includes gaining clarity of the work that you need to perform to implement the change and what you expect your chosen provider to deliver.

Experience suggests there is often a disconnect here, with each party expecting the other to drive the change management process. Clarifying roles and responsibilities at the outset will help ensure a more successful outcome.

Aligning buyer and provider expectations:



Card issuer

The card issuer will primarily be focused on the technical aspects of establishing the payment solution. This involves making sure the solution has the appropriate capability, which can include:



Build hierarchy

Capturing the company set-up to enable billing and reporting to be provided at a business unit level



Enablement of data feeds

Establishing connectivity and files to share card transaction data with key company systems (Expense Management Systems or ERP)



Cardholder controls

As part of the controls, cardholder limits and blocks can be established to restrict spend to agreed purchase types. You will be expected to work with your provider to determine these



Process applications

Providing the mechanism to on-board and issue the payment method to the end users



Training administrators

Card issuers will often provide an online system that delivers reporting, and also enables management of the card program (change limits, request new cards etc). Deploying this and providing training to key personnel will typically be provided

Organisation's responsibilities

You will own the internal change management effort to implement the new solution, including redesigning processes, preparing documentation and communicating the change. The level of work required to effect major change of this nature should not be underestimated, so you should understand what support you will be able to obtain from your chosen provider.

The focus should not just be restricted to the initial launch of the program, as it is important to have both the continuity and commitment of the project team to optimise the card payment solution.

Requesting Support

Your card provider should act as an advisor and be able to share knowledge, experience and best-practice across a number of key areas, including:



Supporting process mapping reviews/ recommended purchasing flows



Building best practice policies and procedures



Providing tools to help build and quantify the business case



Identifying suitable spend categories/ purchases to be migrated to card payment



Assisting the review of suppliers currently accepting cards, and supporting additional supplier enablement strategies

Agreeing this support should be covered as part of the sourcing and selection process.

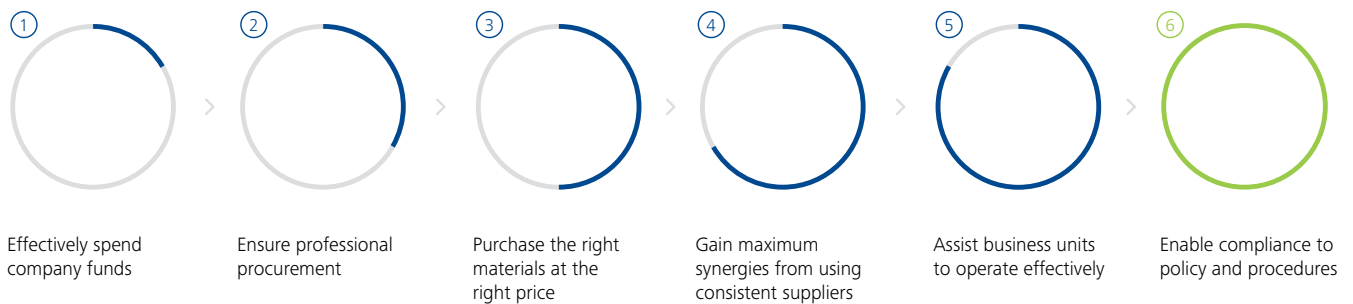
Checkpoint – Assessing your progress

To assess if you have the right resources, you should review if you have:

	No	Yes
1. Defined the assistance that you require from your card provider or other third parties?	<input type="checkbox"/>	<input type="checkbox"/>
2. Obtained agreement from them as to what assistance they will provide during implementation and throughout the life of the program?	<input type="checkbox"/>	<input type="checkbox"/>
3. Achieved clarity on what activities your organisation will need to take responsibility for, and have resources aligned to deliver on these?	<input type="checkbox"/>	<input type="checkbox"/>

F. Defining clear policies

It is vital to have a clear, well communicated and consistently applied policy so that employees know exactly what is expected of them. When establishing the policy, your organisation is likely to be focused on some or all of the objectives below:



Policy design

It is important your policy is developed through an inclusive process that engages end-users and stakeholders (e.g. HR, Procurement, Compliance etc.). The goal should be to obtain a mandate to be the cornerstone of the purchasing policy and the focus for all communications.

It is critical that the policy is widely endorsed, communicated and understood by employees. The most successful policies typically also ‘sell’ the benefits to the end user, which goes beyond the organisational gains and highlights the process benefits.

There are a number of additional factors in designing the policy that impact success and adoption. Therefore you should work to ensure it is:

- ✓ Aligned to company goals
- ✓ Endorsed by senior management
- ✓ Simple, concise and memorable
- ✓ Widely communicated and easily accessible
- ✓ Provides clear guidelines and rules
- ✓ Measured, monitored and enforced

“Taking the ‘grey’ out of our policies and procedures and focusing on what could be purchased as opposed to what could not, has made them (procurement policies and procedures) much more user friendly. This has increased compliance.”

Purchasing card manager
Global communications company

Policy outline

The table below provides a high-level outline of essential policy elements.

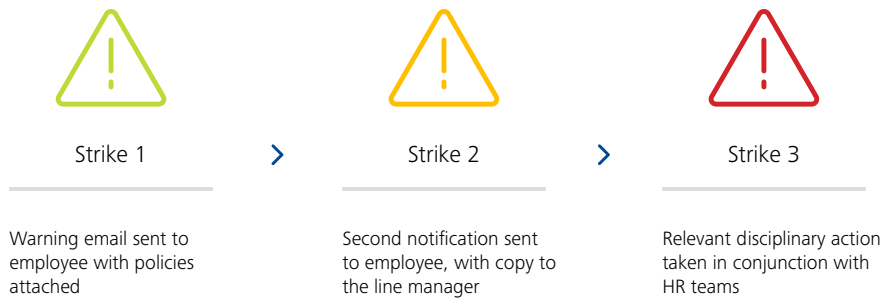
Area	Overview	Illustrative examples
Introduction	Overall scope and purpose <ul style="list-style-type: none"> Objectives of the policy document Confirm senior engagement 	<p>"The company is targeting annual savings of \$X by implementing the new purchasing process. This has been endorsed across our organisation and your adherence to this policy is essential. As CFO this is something I will be taking an active role in monitoring."</p>
Sourcing strategy	Alignment to strategy <ul style="list-style-type: none"> How the policy links to company objectives Savings / benefits to be delivered 	<p>"By implementing the purchasing card solution, we plan to gain working capital savings of \$X, and will also rationalise and consolidate our supplier base from Y,000 to Z,000 suppliers."</p>
Payment types	Methods to be used <ul style="list-style-type: none"> The payment methods being utilised When to use the relevant payment methods What to buy and what not to buy 	<p>"All transactions under \$5,000 are to be made by the approved purchasing card (excluding capital purchases). Buyers will be required to justify when cheques or EFT are used instead of card."</p>
Process steps	High-level process <ul style="list-style-type: none"> How to make purchases Key reconciliation and approval steps 	<p>"Once an appropriate supplier has been identified, you should confirm they are able to accept card payment. Be sure to request a GST receipt for applicable purchases."</p>
Timing	Performance standards <ul style="list-style-type: none"> How much time can elapse before purchases are reviewed and submitted 	<p>"All purchases should be submitted within 30 days. Anything outside of 30 days will be subject to escalation and additional sign-off and reviews."</p>
Measurement	Confirm tracking used <ul style="list-style-type: none"> How compliance to the policy will be measured, tracked and communicated 	<p>"Transactions will be reviewed regularly and progress to our targets reported across the business via our monthly broadcast. Additionally we will highlight non-compliance to the senior leadership team."</p>
Documentation	Identify evidence required <ul style="list-style-type: none"> Which purchase types need GST receipts 	<p>"All transactions >\$82.50 (\$75plus GST) will need to be accompanied by a GST receipt, which should be uploaded alongside the transaction via our online system."</p>
Penalties	Impact of non-compliance <ul style="list-style-type: none"> How non-compliance will be treated What the obligations of the employees are 	<p>"Non-compliance to the policy is a serious matter, and will be addressed as outlined in our code of conduct."</p>
Contacts	Reference points <ul style="list-style-type: none"> What support is available (procedural documents) Who to contact with questions 	<p>"For any queries please refer to the additional details on the company intranet site. Additionally you may contact the procurement team at procurement@xyz.com."</p>

It is important to remember that a policy is not a training guide, and there may be a need to draft separate procedural documents to address various individual functional roles (e.g. buyer, reviewer, approver). These will normally cover making the purchase, capturing the relevant documentation, submitting the transaction for review etc.

Driving compliance

In communicating to employees, it is recommended that policy compliance forms part of overall behavioural expectations within the employee code of conduct. Getting employees to undertake training and acknowledge adherence to the policy are also useful practices.

For the policy to work, there needs to be clear enforcement of it. Below is a sample process that could be used, although it will need to be suited to the culture of your organisation:



Checkpoint – Assessing your progress

To assess your policy, you should review if you have:

	No	Yes
1. Developed a clearly documented policy that has been communicated to all impacted employees?	<input type="checkbox"/>	<input type="checkbox"/>
2. Had the policy endorsed by key senior management?	<input type="checkbox"/>	<input type="checkbox"/>
3. Built procedures to ensure compliance to the policy is measured and acted upon?	<input type="checkbox"/>	<input type="checkbox"/>

G. Establishing a robust controls framework

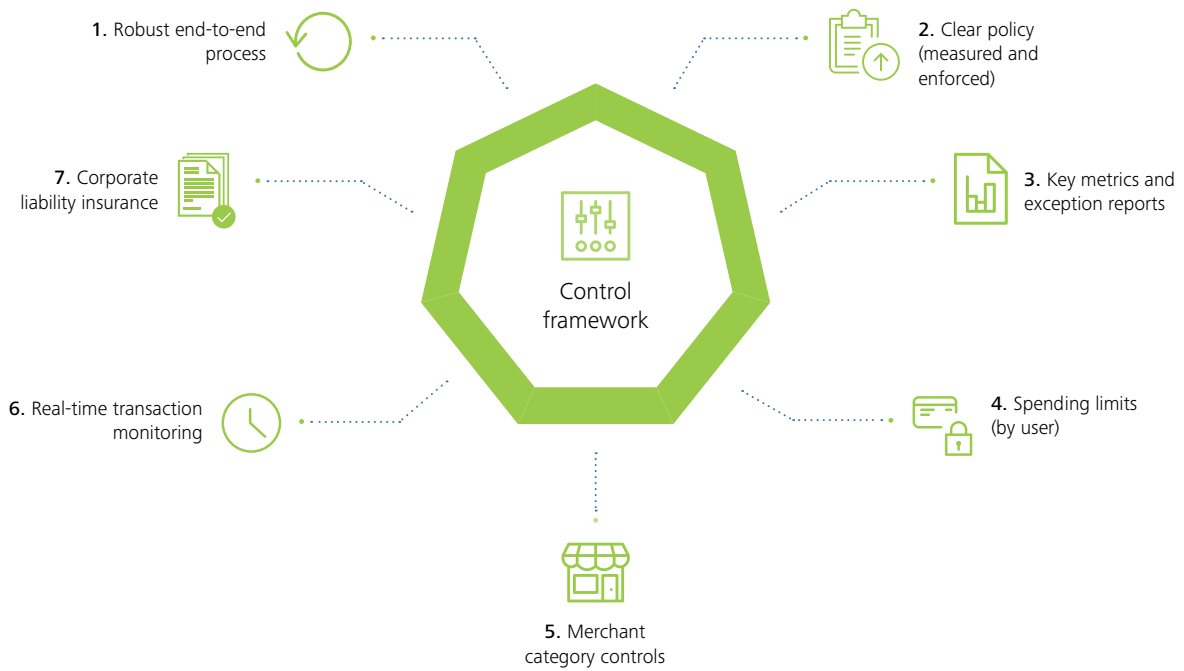
It is important to acknowledge there can often be a perception of risk with card payments, which if not addressed can restrict the success of the program within your organisation.

The reality is that there are a number of tools available that greatly enhance the control that companies can use to improve security and reduce fraud:

“Global settings are in place to ensure that we can stop transactions that are not authorised – in real time – at the merchant’s terminal. We have enormous control.”

CFO
Property investments

Control framework elements



Industry partners (such as your card provider) will be able to provide advice relevant to your specific circumstances, however the guide below should provide a starting point and improve your awareness of the tools available.

Control area	Detail	Control type (Definitions below)	Importance
1. End-to-end process	<ul style="list-style-type: none"> • Deliver control via a robust process with relevant checks points • Leveraging card transaction data can improve visibility and efficiency 	Soft	High
2. Clear policy and procedures	<ul style="list-style-type: none"> • Ensure there is a clear policy that is widely communicated and understood • Compliance must be measured, tracked and enforced 	Soft	High
3. Metrics/exception reports	<ul style="list-style-type: none"> • Card provider data and insights can drive visibility • Establish regular reports that flag unexpected spend for further investigation 	Soft	High/ Medium
4. Spending limits (by user)	<ul style="list-style-type: none"> • An overall spending allowance as well as single transaction limits can be nominated to restrict purchases above a threshold (eg, \$5,000) 	Hard	Medium
5. Merchant category controls	<ul style="list-style-type: none"> • Expenditure permitted can be restricted by merchant classification for items such as cash access 	Hard	Medium/ Low
6. Real-time transaction monitoring	<ul style="list-style-type: none"> • Card providers have systems to monitor all transactions and identify anomalies including high value purchases 	Soft and hard	Medium/ Low
7. Corporate liability insurance	<ul style="list-style-type: none"> • Many card providers include a complimentary insurance policy to protect organisations in the event of misuse by an employee • Consult your provider to understand the specific terms and conditions 	Soft	Medium/ Low

Finding the balance

To ensure that the most robust controls are in place, organisations tend to excessively rely on 'hard' controls. This can result in the end-user being prevented from making legitimate business purchases. Bear in mind that it only takes one negative experience such as this to disengage end-users and undermine the effort taken to deploy a new process.

Merchant category controls involve placing a restriction on an entire group of suppliers. At face value, this might seem like a logical strategy. However, some suppliers sell a variety of products. For example, you may wish to block supermarkets to limit anyone from purchasing groceries, but this would also prevent staff from buying food and other items to cater for office events.

Definitions:

1. **'Hard' controls:** These are system placed constraints that restrict usage of the payment tool by the end user.
2. **'Soft' controls:** A process or practice that provides a pre-or post-transaction control point, to ensure the correct policies are being followed.

Standard controls

In setting up your control strategy, consider following recommendations:

- Block cash access
- Block merchant categories that will definitely not be used such as betting, massage parlours, cruise lines and wire transfers
- Review daily reporting on spend in merchant categories that are outside of scope (but are not deemed a key risk). This could include: airlines, car rentals, car and truck dealers, tolls, veterinary services, etc.
- Review transaction reports to flag purchases greater than \$5,000 for review.

“The ease of systems to allow staff to keep working, the control mechanisms you can put in place and the transparency which is critical are all working well.”

CFO
Property developers

Your provider will be able to assist in building the correct control environment for your organisation using a combination of the tools available (illustrated below):

Control environment summary						
Robust processes	Merchant controls	Liability insurance	Fraud monitoring	Exception reporting	Clear policies	Spending limits

Checkpoint – Assessing your progress

To assess your control framework, you should review if you have:

	No	Yes
1. Ensured the end-to-end process has clear controls and check points?	<input type="checkbox"/>	<input type="checkbox"/>
2. Worked with your card provider to agree the correct level of controls for your organisation?	<input type="checkbox"/>	<input type="checkbox"/>
3. Plans to utilise exception reports to flag potential non-compliant spend, rather than solely relying on 'hard' blocks/controls?	<input type="checkbox"/>	<input type="checkbox"/>

H. Engaging and enabling suppliers

From the survey we know that there are misconceptions amongst buyers and suppliers regarding each other's appetite for card-based payments.

With a new payment method it is important to consider the value for each party. For many suppliers the speed of payment (cash flow benefit) is highly valued and can offset the cost of the Merchant Service Fee.

Misconceptions – The buyer and supplier disconnect



Buyer misconception:
My suppliers would not be willing to accept payment by card, it is likely to be expensive.



Supplier misconception:
I have not been asked to accept card payments so it is not a method my business customers want.

Buyer benefits

- Process efficiency
- Reduced costs
- Drive compliance to policy
- Improved visibility

Supplier benefits

- Speed of payment/cashflow
- Guaranteed payment
- Reduced collection activities
- Preferred supplier status

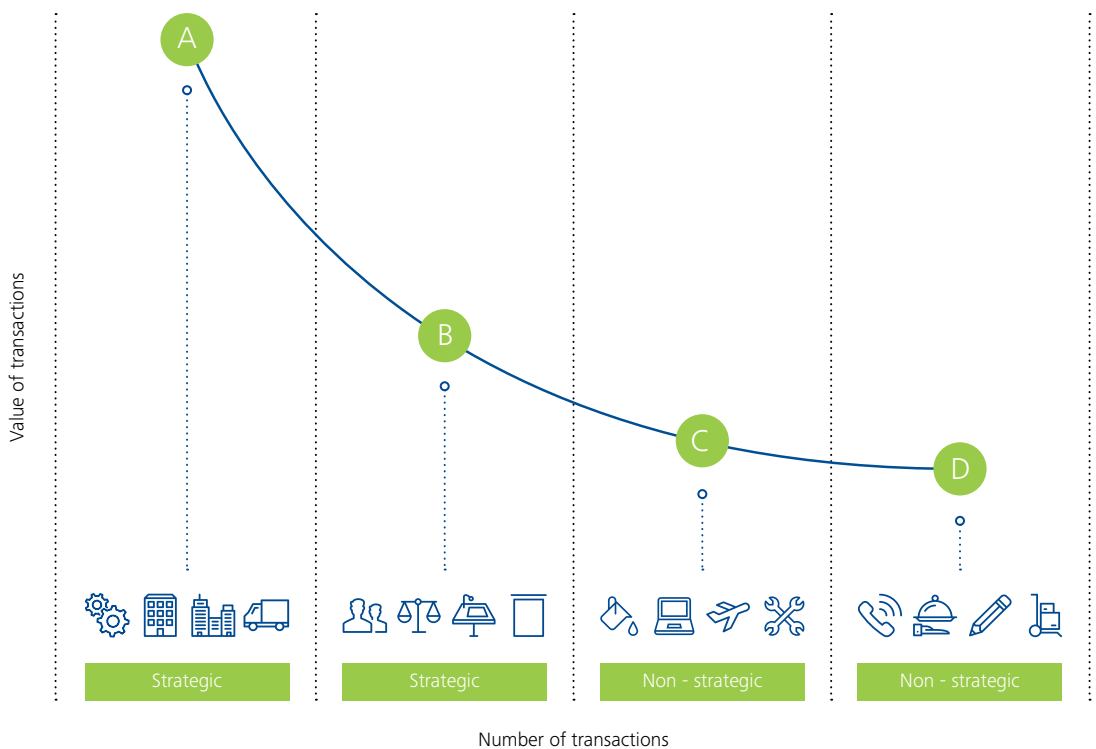
Successful programs share the benefits between buyers and suppliers, which can include the parties improving their days sales outstanding and days payables outstanding. It may mean that in return for card payments, the parties form a deeper relationship that can result in increased contract length or number of orders.

Establishing a clear strategy

Many organisations aim to tackle their large number of small suppliers (the long tail) to accept card-based payments. However, this approach can be too broad to deliver anticipated returns and deliver real long-term value. It is recommended that a specific strategy be put in place, based on the analysis of your organisation's expenditure (as discussed earlier).

The focus should be on leveraging the range of payment solutions available for both strategic and non-strategic suppliers. Across each of the relevant segments it is important to analyse those suppliers and transactions you wish to prioritise (as illustrated below).

Supplier prioritisation for card-based payments



A **Low priority** – Large strategic merchants. Trade finance or EFT payment are typically more appropriate.

B **Medium priority** – Focus on a smaller number of suppliers accounting for a higher number of transactions to deliver greater potential process savings for the buying organisation. Given the transaction size the suppliers may be less receptive to accepting payment via card.



C **High priority** – This represents a larger supplier set, but the spend levels justify engaging and approaching suppliers to accept card-based payments.

D **High priority** – Further down the tail, handling a larger number of suppliers can be complex if they don't already accept cards. However, you can leverage additional solutions.

You should look to leverage the tools available from card networks and providers. This can include a full analysis of your current payables which is designed to deliver a number of insights including:

- Current payment summary
- Industry benchmarks
- Top accepting card suppliers
- Supplier payment leakage
- Suppliers offering early payment discount

The benefits of adopting this approach include:

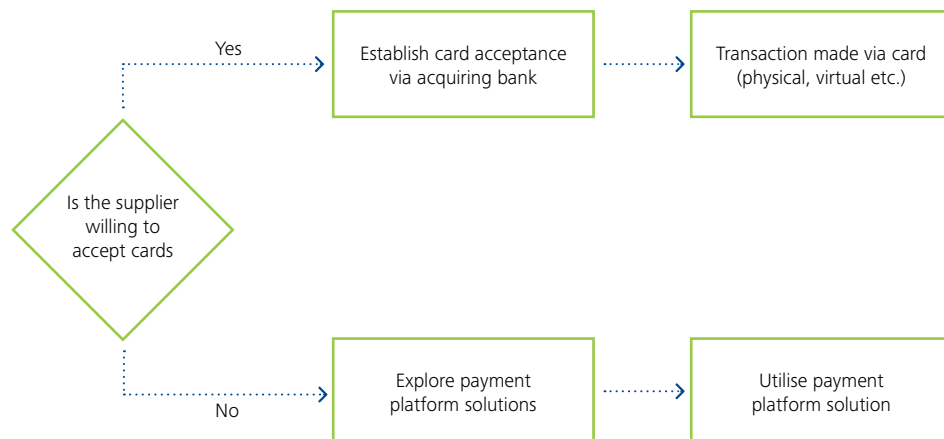
	Gaining transparency		Improving insight
	<ul style="list-style-type: none">• Determines the best way to pay each supplier• Identifies the target suppliers• Helps develop payables strategy, and opportunities to use solutions		<ul style="list-style-type: none">• Performs payment and supplier analysis• Provides a comprehensive view of spend• Quantifies potential program size, savings and efficiencies

Selecting the right solution for your suppliers

The purchasing process relies on the buyer having access to the chosen payment solution, but more importantly relies on your supplier accepting that payment method.

In the consumer space, card payments are accepted on nearly all occasions, but for B2B payments, cards may not be commonplace for your suppliers.

For suppliers not already accepting cards, you may need to highlight the benefits for them (primarily, faster payment) and demonstrate how this value outweighs any merchant service fee they will pay.



In tackling those non-accepting suppliers, they can be encouraged to move to accepting card payments. It is important to consider new technologies that can assist with those suppliers not wanting to accept card-based payments, such as the payment platform solutions.

Potential supplier engagement plan

There needs to be a clear plan with ownership, accountability and agreed targets. If this is not adequately managed, there is a risk the user experience when first trying to leverage card payments will be negative, undermining the entire change management effort.

Below is a simple outline of a process to engage with suppliers.



As well as having a realistic set of suppliers to target, it is important to agree the right communication approach.

Ownership:

Procurement, Category Management, Project Team

Key Messages:

How forceful do you want to be with suppliers, consider sharing benefit

How to communicate:

Phone, Meeting, Email, Letters, Outbound Call Centre

Action Required:

Define a call to action for suppliers (ensuring tracking / follow-up)

Checkpoint – Assessing your progress

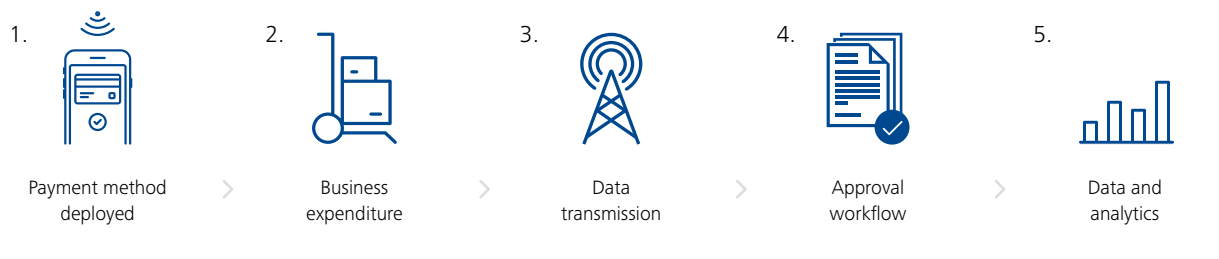
To assess if you have a clear approach for engaging your suppliers, you should review if you have:

No Yes

- 1. Completed your supplier/spend analysis and defined priority groups of suppliers?
- 2. Engaged the relevant internal teams who have responsibility for supplier relationships?
- 3. Assembled the necessary resources and tools to execute the supplier enablement strategy?

I. Integration and leveraging data

The end-to-end data management process will vary by company, and will depend on the solution deployed. There will be opportunities to leverage the data and technology offered by your chosen provider. The diagram shows the key points in the process:



1. It is important to ensure you are using a payment method suited to your needs and business processes. In making your selection, consideration should be given to your end-to-end flow and data requirements.

2. The transaction method will impact the level of data received. This may include incorporating automated payments into an existing Purchase Order processes, or for lower value spend working to streamline the end-to-end flow.

This can include receiving enhanced data from key suppliers, such as invoice number, GST itemisation etc. to assist with reconciliation. Your card provider will share transaction data with you, which can be via:

- Providing daily transaction data files to be fed into an in-house expense management/ reconciliation system
- The bank's chosen online reconciliation tool.

3. Take advantage of these automation opportunities to streamline the process and add visibility. You should ensure there is then an automated process to feed the data into your back-office accounting systems.

4. Your reconciliation system should provide relevant delegations, workflow and approval settings, to ensure transactions can be submitted, reviewed, approved and then processed into the company accounting system.

These systems also enable the use of controls and flags to drive compliance to policy.

5. In addition to internal insights, you should work with your provider to leverage the data and analytics they can provide. This typically includes:

- **Program Overview** – analysing users, spend patterns, transactions captured etc.
- **Supplier Analysis** – understanding top spend categories and which suppliers are used regularly (supporting negotiations)
- **Exception Reports** – flagging potentially non-compliant transactions for further review and investigation.

The capture of enhanced data can simplify the reconciliation process and improve automation. Outside of travel-related expenditure, however, the provision of enhanced data to card providers is uncommon. As a result, organisations looking for this data are relying on suppliers to deliver the data directly via an invoice data file, or they are leveraging the use of payment platforms (such as Invapay) that can capture this information with each of the transactions and present it back to the purchasing organisation.



Leverage data and tools available to expand the program. This can include using spend data to assist full review of the company's Accounts Payable to assess existing performance and identify additional opportunities.

Checkpoint – Assessing your progress

To assess how you are leveraging available data, you should review if you have:

	No	Yes
1. Utilised all opportunities to capture data from the purchases, and automate this being fed into a transaction reconciliation tool (e.g. expense management system)?	<input type="checkbox"/>	<input type="checkbox"/>
2. Established links to ensure card data can be automatically handled and fed into the companies back-office accounting systems?	<input type="checkbox"/>	<input type="checkbox"/>
3. Made full use of the reporting available from your provider to gain insights as to the programs performance?	<input type="checkbox"/>	<input type="checkbox"/>

J. Change management

Companies looking for a quick and easy solution are likely to be disappointed or fall short of the desired returns. Effective change relies on the perseverance of those responsible for implementing the new process or solution. For this reason, change management needs to be appropriately considered beyond the few suggestions that are offered in this guide.

At a high level the core principles of change management should apply. This means not just trying to implement the change but ensuring it is well prepared and tailored appropriately to your organisation so that positive benefits are obvious.

“Faced with the choice between changing one’s mind and proving that there is no need to do so, most people get busy on the proof.”

John Kenneth Galbraith

An organisation must be ready, willing and able to implement change:

What is change fit?

Readiness
to adopt change

+

Willingness
to accept change

+

Ability
to implement change

=



Organisation
prepared for change

What are the key success factors?



Clearly **defined and well communicated** objectives



Impactful and aligned **business leadership**



Strong linkages between **individual incentives** and performance outcomes



Sufficient **resources and capabilities** to execute change



Organisational **culture** that embraces change

Change guidelines

Having spent time to develop the business case, engage stakeholders, identify and select the correct solution etc. you will increase your chance of success.

In addition to this, there are some basic principles that can further assist you:

- Allow time to plan for the change
- Align project plans with your chosen provider
- Involve impacted parties early in the process
- Ensure widespread training and communications
- Align to other organisational activities, to ensure a timely launch
- Understand the process and behaviours that are being changed.

“The world hates change, yet it is the only thing that has brought progress”

Charles Kettering

Checkpoint – Assessing your progress

To assess your organisation readiness, you should review if you have:




	No	Yes
1. Engaged resources to support the implementation and ongoing activities to embed the changes to the current purchasing process?	<input type="checkbox"/>	<input type="checkbox"/>
2. Developed and deployed communications and training for all relevant employees?	<input type="checkbox"/>	<input type="checkbox"/>
3. Built processes and metrics to monitor the progress of the change?	<input type="checkbox"/>	<input type="checkbox"/>

K. How to measure and evolve your program

When reviewing the performance and expansion of your program, include a review of the types of purchases that are being captured.

Avoid becoming limited by a specific category or supplier, and instead be driven by transaction type and benefit that the buyer can derive. This means moving away from focusing on commodities (e.g. stationary and couriers) to considering purchases by transaction value, frequency of payment and whether the supplier accepts the payment method.

The most successful organisations use a variety of methods to grow their purchasing card programs and maximise the process benefits. In assessing your progress, you can consider whether your program is capturing a broad range of spend types, such as:

-  Recurring payments, such as phone, utility and rental payments
-  Temporary services and contract labour
-  Direct materials, such as raw materials, operating supplies and components
-  Maintenance, repair, and operations (MRO)
-  Professional services
-  Mail, packaging, and courier services
-  Other purchase order initiated payments

Some organisations have seen greater success by enforcing a broad mandate, such as all transactions below \$5,000 being paid via card. This is in line with the approach taken by a number of public sector entities:

Illustrative public sector examples:

-  Federal government purchases < \$10,000
-  NSW government purchases < \$3,000

Ongoing measurement/assessment

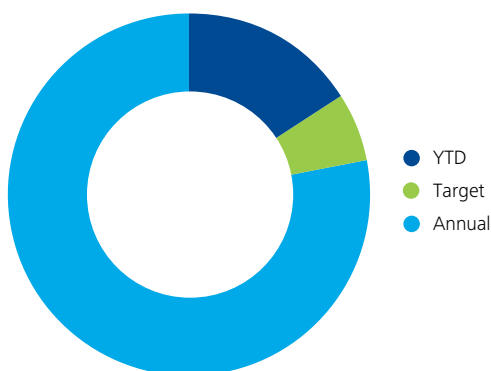
Reviewing progress is part of the evolution of your program. You should look to:

- Establish targets, and link these back to the original business case
- Measure and communicate performance to stakeholders
- Provide visibility and awareness across the business
- Understand performance trends, to identify any underlying challenges
- Leverage data from your card provider

In measuring program performance specific types of analyses that have proven helpful include:

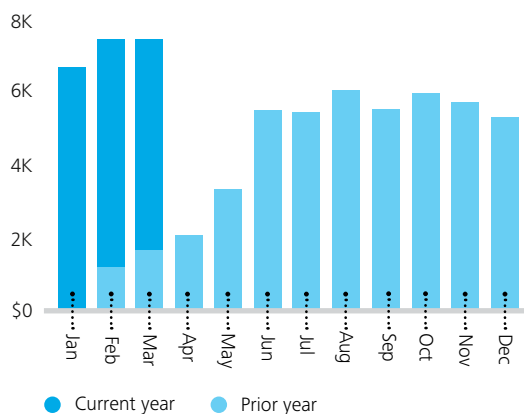
1. Spend performance – be clear on your spend goals, and by tracking your progress to the Year to Date and Annual Targets it will ensure you are not surprised at year end. For larger organisations, this will be particularly relevant if you are meant to receive any financial incentives from your bank

Spend performance (YTD)



2. Transactions captured – as you are working to streamline purchasing processes, the number of transactions captured is a key measure. By monitoring overall trends you can quickly identify if the program is stalling or struggling to gain traction. Measuring this by business unit will help deliver further insights.

Transactions captured



Leverage support and tools

This is not a journey you need to make in isolation. Your chosen card provider should be able to share with you best practice insights, and tools to identify potential expansion opportunities.

Checkpoint – Assessing your progress

To assess the evolution of your program, you should review if you have:

- 1. Established a clear mandate within the business that is endorsed by senior stakeholders?
- 2. Been able to widely deploy the program, and capture all of the spend and suppliers that were identified in the business case?
- 3. Utilised a range of working capital account solutions for different company needs (e.g. physical cards, digital accounts etc.)?

No Yes

Conclusion

As demonstrated by the study findings, there is considerable benefit in card-based payment solutions for both A/P and A/R departments.

In addition to process efficiencies, the cornerstone of these are the working capital or cashflow improvements that can be gained. As highlighted, physical and digital card solutions are simply the methods that access the working capital facility.

The successful adoption of these tools relies on the engagement of both the buying organisation and their suppliers. It was observed that there is often a disconnect between buyers and suppliers, with each party often underestimating the value to the other of card-based payments.

This highlights the need for greater communication between the parties to work to deploy mutually beneficial solutions. For example, the working capital benefit gained by buyers can be shared with key suppliers in order to encourage them to change how they receive payments.

Optimising your program

Whilst the digital revolution provides payables and receivables with new opportunities to harness the benefits of card based payments, it is clear that the use of traditional physical card payments is under-penetrated and corporates are not optimising their usage.

When optimising payments, it is important to go beyond identifying the right mechanism, to ensure it is well implemented and that its performance is measured and reviewed over time.

Hopefully this manual has provided useful insights to assist you as you begin your optimisation journey. As a starting point we recommend you undertake analysis of your accounts payable, which can assist in identifying and quantifying the opportunity.

This is not a journey you need to make in isolation. Your card provider, transaction bank or other industry experts should be able to provide tools and support to maximise the benefits.

Checkpoints

Assessing your progress

For your convenience, we have compiled all of the assessment questions into a single checklist:



A: Building your business case

To assess the completeness of your business case, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Established a 3–5 year plan highlighting costs/savings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Developed this plan by leveraging industry sources to provide robust data points? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Had the plan endorsed/signed-off by key executives? | <input type="checkbox"/> | <input type="checkbox"/> |

B: Stakeholder engagement and endorsement

To assess the extent of your stakeholder engagement, you should review if you have:

- | | | |
|---|--------------------------|--------------------------|
| 1. Obtained senior sponsorship/endorsement at board level? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Assembled a cross-functional project team, including all relevant departments? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Secured the necessary resourcing and budget for the project? | <input type="checkbox"/> | <input type="checkbox"/> |

C: Selecting the right solution

To assess if you have clarified your requirements, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Understood the range of working capital account solutions that are available? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Identified the factors that have an impact on where the various working capital account solutions (e.g. purchasing cards) can be used in your organisation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Clarified which suppliers and purchases within your organisation are well suited to these types of payments? | <input type="checkbox"/> | <input type="checkbox"/> |

D: Selecting your provider

To assess if you have an effective sourcing approach, you should review if you have:

- | | | |
|---|--------------------------|--------------------------|
| 1. Accurately captured your requirements and fully understand the solution that you are buying? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Developed a proposal format that will allow you to easily assess a number of different responses from potential providers? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Designed a consultative process, and have engaged with potential providers in an open dialogue from the outset? | <input type="checkbox"/> | <input type="checkbox"/> |



E: Agreeing roles and responsibilities

To assess if you have the right resources, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Defined the assistance that you require from your card provider or other third parties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Obtained agreement from them as to what assistance they will provide during implementation and throughout the life of the program? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Achieved clarity on what activities your organisation will need to take responsibility for, and have resources aligned to deliver on these? | <input type="checkbox"/> | <input type="checkbox"/> |

F: Defining clear policies

To assess your policy, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Developed a clearly documented policy that has been communicated to all impacted employees? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Had the policy endorsed by key senior management? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Built procedures to ensure compliance to the policy is measured and acted upon? | <input type="checkbox"/> | <input type="checkbox"/> |

G: Establishing a robust controls framework

To assess your control framework, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Ensured the end-to-end process has clear controls and check points? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Worked with your card provider to agree the correct level of controls for your organisation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Plans to utilise exception reports to flag potential non-compliant spend, rather than solely relying on 'hard' blocks/controls? | <input type="checkbox"/> | <input type="checkbox"/> |

H: Engaging and enabling suppliers

To assess if you have a clear approach for engaging your suppliers, you should review if you have:

- | | | |
|---|--------------------------|--------------------------|
| 1. Completed your supplier/spend analysis and defined priority groups of suppliers? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Engaged the relevant internal teams who have responsibility for supplier relationships? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Assembled the necessary resources and tools to execute the supplier enablement strategy? | <input type="checkbox"/> | <input type="checkbox"/> |



I: Integration and leveraging data

To assess how you are leveraging available data, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Utilised all opportunities to capture data from the purchases, and automate this being fed into a transaction reconciliation tool (e.g. expense management system)? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Established links to ensure card data can be automatically handled and fed into the companies back-office accounting systems? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Made full use of the reporting available from your provider to gain insights as to the programs performance? | <input type="checkbox"/> | <input type="checkbox"/> |

J: Change management

To assess your organisation readiness, you should review if you have:

- | | | |
|---|--------------------------|--------------------------|
| 1. Engaged resources to support the implementation and ongoing activities to embed the changes to the current purchasing process? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Developed and deployed communications and training for all relevant employees? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Built processes and metrics to monitor the progress of the change? | <input type="checkbox"/> | <input type="checkbox"/> |

K: How to measure and evolve your program

To assess the evolution of your program, you should review if you have:

- | | | |
|--|--------------------------|--------------------------|
| 1. Established a clear mandate within the business that is endorsed by senior stakeholders? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Been able to widely deploy the program, and capture all of the spend and suppliers that were identified in the business case? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Utilised a range of working capital account solutions for different company needs (e.g. physical cards, digital accounts etc.)? | <input type="checkbox"/> | <input type="checkbox"/> |

Appendix

Survey approach

The survey supporting B2B Payments: Australia and New Zealand Research was conducted by Deloitte in 2015. The objective was to obtain key commercial card program metrics from middle to large market organisations in Australia and New Zealand. The sample included 150 organisations, 90% commercial businesses and 10% governmental entities. 100 respondents were based in Australia and 50 in New Zealand. The median revenue/budget was A\$67M in Australia and NZ\$65M for New Zealand. Median company size in terms of employees was 610 employees.

Respondents were roughly equally split between entities that had an established card program and entities that didn't. In terms of industry distribution the survey sample was broadly representative of the national profiles. The top industries represented in the private sector were Agriculture, Mining and Construction, Manufacturing, and Wholesale and Retail Trade. The primary responding individuals by role were Chief Financial Officers, Accounts Payable Managers, Procurement Managers, Shared Services Managers, and Finance Directors.

This survey was conducted by phone. The survey included over 45 questions covering the following topics:

- **Organisation background information:** regions of operation, industry of operation, annual turnover, number of employees, etc.
- **Card program information and management practices:** Factors that would encourage card programs, card program providers, quantity of cards issued to employees, etc.
- **Metrics specific to card programs:** annual card spend, number of transactions, percentage breakdown of spend on card, etc.

In addition, the survey sought to better understand issues related to A/R, covering a range of questions from the perspective of the stakeholders accepting payments on behalf of organisations.

Follow-up interviews were conducted with a sub-set of participating organisations to better understand their experiences and relevant practices.

Survey data: Australia vs. New Zealand

By and large the findings across Australia and New Zealand have been consistent. However, there are minor differences across some areas reflecting the distinct trends in each market.

Australian companies are more likely to have a purchasing card program

59% of the Australian companies participating in the survey reported having a purchase card program compared to 42% for New Zealand-based entities.

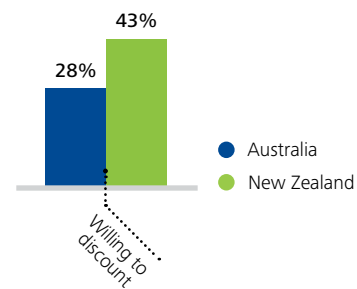
Australian companies have a higher 'average issued cards to employee' ratio

Australian companies were found to have more cards when adjusted for numbers of employees than New Zealand. On average, Australian companies have 17 cards per 100 employees while New Zealand companies have 10 cards per 100 employees. As this considers differences in company size, it suggests that New Zealand organisations tend to have fewer broad-based programs (e.g., corporate cards) that cover large portions of their employee base.

New Zealand suppliers are more likely to offer a discount for early payment

New Zealand suppliers were more willing to offer a discount in return for being paid sooner. Most New Zealand suppliers suggested a 2% discount would be appropriate, whilst a number of Australian organisations were comfortable with a higher level of discount such as 5%.

% of suppliers willing to offer discount in return for faster payment



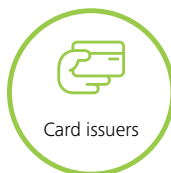
Glossary

Industry terminology



Acquirers

The acquirer (or acquiring Bank) is the party that provides your supplier with the capability to accept payments via card, often using a point of sale terminal. They are the institution that process payments for the supplier through the respective card networks (Visa, MasterCard, EFTPOS, American Express etc.).



Card issuers

Card issuers (or providers) are the financial institutions responsible for the card-based solutions delivered to your organisation, and are the party you will have a direct contractual relationship with. They fund the working capital account/facility.



Card networks

Card networks typically refer to a network of issuing and acquiring banks that process card payments of a specific brand (e.g. Visa, MasterCard). These networks also play a role in driving product standards for the card issuers to deliver.



Payment platforms

Given not all suppliers are willing to accept cards, alternative solutions have developed. Payment platforms (e.g. Invapay, PayPal, Paynow) integrate with existing payment processes, and enable the supplier to receive payments via Electronic Funds Transfer (EFT).



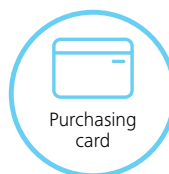
Merchant service fee

In return for the acquirer processing card transactions, suppliers pay a Merchant Service Fee (MSF), commonly a percentage of the transaction⁶. These costs vary by the type of supplier and volume of transactions they process, which may impact the number of suppliers willing to accept particular card brands.



Interchange

The card issuer will receive an income from each transaction. This income is known as interchange, and is based on the type of supplier and the card product being used. This income is used to fund all costs, including the working capital benefit that customers receive. In Australia interchange for Visa and MasterCard is regulated by the Reserve Bank of Australia.



Purchasing card

Purchasing cards typically operate as charge cards. All transactions for a period (usually monthly) are consolidated in an overall statement, which must be paid in full by the due date. These payment terms will be set by your card issuer. Unlike personal credit cards, charge cards do not have a revolving credit facility that can be carried over to the next month and which incur interest.

⁶ RBA statistics show the average MSF for Visa/ MasterCard is 0.83%, 1.79% for American Express and 2.09% for Diners Club as of June 2015

About the authors

Deloitte

Deloitte is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, tax and related services to select clients. Our global financial services group includes almost 3,500 partners and directors and 20,500 practitioners in more than 40 countries and serving over 85% of Global Financial Institutions. We have a dedicated payments practice with mature competencies across strategy, operations, technology, assurance, and risk services and were recently ranked #1 for cards and payments consulting globally by Kennedy Information.



Richard Miller is a Director in Deloitte's Melbourne office and is the lead for our Australian payments practice, focusing on strategy, digital innovation and program execution.

PayTech Commercial

PayTech Commercial (www.paytech.no) was established in 1999, and comprises of senior-level commercial payment experts that focus on delivering a range of advisory and project execution services. The depth and breadth of experience within the team has enabled PayTech Commercial to deliver support to card networks, financial institutions, corporations and public sector entities across North America, Asia-Pacific, EMEA and Latin America.



Dave Cook has 18 years of experience within the Commercial payments industry, and as a consultant he has worked with a wide range of clients, to support effective sourcing, deployment and optimisation of payment solutions

The authors would like to express their appreciation to all who have made this report possible, including, but not limited to: survey participants, Visa, PayTech and Deloitte staff across Australia, New Zealand, Canada, USA and India.



Chris Wilson

*Partner, Consulting
Deloitte*

Tel: +61 3 9671 7411
Email: chrwilson@deloitte.com.au



Richard Miller

*Director, Payments Advisory
Deloitte*

Tel: +61 3 9671 7903
Email: rimiller@deloitte.com.au



Anthony Jones

*Senior Director, Commercial
and Digital Solutions
Visa*

Tel: +61 2 9253 8887
Email: antjones@visa.com



Jonathan Perkinson

*Partner, Assurance and Advisory
Deloitte*

Tel: +61 2 9322 3705
Email: jonperkinson@deloitte.com.au



Dave Cook

*Asia-Pacific Regional Lead
PayTech Commercial*

Tel: +61 498 057 327
Email: dave@paytech.no



Chris Broad

*Head of Merchant Sales and Solutions
Australia and New Zealand
Visa*

Tel: +61 2 9253 8848
Email: cbroad@visa.com

Contact us

Deloitte

550 Bourke Street
Melbourne VIC 3000
Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is, by means of this publication, rendering professional advice or services.

Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

© 2015 Deloitte Touche Tohmatsu.

MCBD_MEL_08/15_051886