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:

- 87% Suitable spend controls
- 74% Reduced approvals
- 63% Improved visibility/reporting

Top three procure-to-pay technologies

1. Electronic feed to ERP
2. e-Procurement
3. Invoice scanning

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

**Faster**
Respondents stated that paying by card is faster
- 82% Average speed improvement of card over traditional PO process
- 68% Experienced a reduction in administration

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

**Cheaper**
Invoice processing cost
- $20 Card-based process
- $73 Traditional purchase order

...AND BE PAID

**Better**
Top benefits of accepting cards (% of accepting respondents)

- 61% Less effort chasing payment
- 60% Better customer relationships
- 51% Improved reconciliation

Suppliers stated that accepting cards for B2B payments increased sales

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

**Faster**
Rated faster payment as an important benefit of accepting cards.
- 73% Top two reasons for accepting cards

**Cheaper**
Indicated that cards reduced the cost of doing business
- 49%

"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.
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.
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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.
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

All brand names and logos are the property of their respective owners, are used for identification purposes only, and do not imply product endorsement or affiliation with Deloitte or Visa.
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

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

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.

Further detail on the survey approach can be found in the appendix.
2. B2B spend paid via cards/digital accounts is growing

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 solutions.

3. Analytics, control and visibility are increasingly critical

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.

Source: KAE, Visa and Deloitte analysis

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

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.

Observations on benefits include:

a. Better: Improvements in administration, control and spend visibility were cited as positive benefits of card-based payments

b. Faster: Reduction in processing time, approvals and payments execution or receipt were also associated with cards

c. Cheaper: The total cost of payments by card compared favourably to other mechanisms and to traditional PO processes

d. 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.
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.

**Finding 2: Cards are faster**

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.

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

CFO
Mining contractor

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

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced payment processing time</td>
<td>75%</td>
</tr>
<tr>
<td>Reduced number of approvals required</td>
<td>74%</td>
</tr>
<tr>
<td>Reduced administration cost</td>
<td>68%</td>
</tr>
<tr>
<td>Improved visibility and data reporting</td>
<td>63%</td>
</tr>
<tr>
<td>Improved supplier relations</td>
<td>53%</td>
</tr>
<tr>
<td>Improved cash flow</td>
<td>47%</td>
</tr>
</tbody>
</table>
Finding 3: Cards are cheaper

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 $55 per transaction. 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

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.

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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

- Lack of awareness: 6%
- Other: 6%
- Lack of fit with standardised process: 7%
- Don’t have enough spend that could be paid by card: 17%
- Too much hassle to change-out existing processes: 11%
- Don’t see the benefit: 15%
- Concerns about employee spending: 19%
- Don’t have the power to implement them: 19%

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**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)

- Payment integration into your financial system/ERP: 20%
- Lower/nill surcharging by suppliers: 18%
- Lower fees for your suppliers, encouraging them to accept: 17%
- Enhanced/invoice level data with each transaction: 15%
- Others: 4%

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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.

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.
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.

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.

Survey findings: The supplier perspective

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.
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

73% 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 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

49% 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). 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.
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.

### Reasons for not accepting card payments

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

- The process of reconciling payments is too difficult: 3%
- Not comfortable with the technology involved: 3%
- Don’t know: 6%
- We don’t have the necessary equipment in place: 11%
- Other: 11%
- Value of sales is too large for cards: 21%
- Our customers don’t want to pay with cards: 23%
- Cost of accepting and associated bank fees are too high: 23%
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:
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.

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**Cards payments maturity model**

<table>
<thead>
<tr>
<th><strong>Basic</strong></th>
<th><strong>Moderate</strong></th>
<th><strong>Advanced</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cards only used for travel and entertainment expenditure</td>
<td>• B2B payments are within scope for cards</td>
<td>• Card payments across wide spectrum of suppliers and commodities</td>
</tr>
<tr>
<td>• Cards issued primarily to senior management</td>
<td>• Policy and procedures are documented and communicated</td>
<td>• Clear purchasing policy that is regularly reviewed, measured and enforced</td>
</tr>
<tr>
<td>• Minimal systems integration</td>
<td>• Cards used for payment with select suppliers</td>
<td>• Cards mandated for transactions under $5,000</td>
</tr>
<tr>
<td>• Limited awareness/compliance to policy</td>
<td>• Leveraging physical and virtual card payments</td>
<td>• Numerous suppliers accepting payment by card</td>
</tr>
<tr>
<td>• Few B2B suppliers being paid by card</td>
<td>• Systems integration, with end-to-end transaction workflow</td>
<td>• Implemented new technologies, such as payables automation</td>
</tr>
<tr>
<td>• Executive team not engaged or focused on the program</td>
<td>• Stakeholders provide support and endorsement as needed</td>
<td>• Active engagement from the executive team</td>
</tr>
</tbody>
</table>
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:

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

Benefits

<table>
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<tr>
<th>Benefits</th>
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</thead>
<tbody>
<tr>
<td>Working capital improvement</td>
</tr>
<tr>
<td>Process savings</td>
</tr>
<tr>
<td>Supplier discounts</td>
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</tbody>
</table>

Cost of change

<table>
<thead>
<tr>
<th>Cost of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project resources</td>
</tr>
<tr>
<td>Technical support</td>
</tr>
<tr>
<td>Administration staff</td>
</tr>
</tbody>
</table>

B2B payments 2015 Australia and New Zealand research
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 processed. 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.

Common challenges

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large quantity of low-value invoices</td>
<td>Process costs and resource impact</td>
</tr>
<tr>
<td>Inconsistent purchasing processes</td>
<td>Inefficient practices and loss of synergies</td>
</tr>
<tr>
<td>Significant number of cheque payments</td>
<td>Greater risk of fraud</td>
</tr>
<tr>
<td>Reliance on manual purchase orders</td>
<td>Time-consuming processes</td>
</tr>
<tr>
<td>Spend outside of preferred agreements</td>
<td>Reduced visibility and risk of higher prices</td>
</tr>
</tbody>
</table>

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:

1. Established a 3–5 year plan highlighting costs/savings?  
   - [ ] No  
   - [ ] Yes

2. Developed this plan by leveraging industry sources to provide robust data points?  
   - [ ] No  
   - [ ] Yes

3. Had the plan endorsed/signed-off by key executives?  
   - [ ] No  
   - [ ] Yes
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.

<table>
<thead>
<tr>
<th>Functional area</th>
<th>Project role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>• Ensure end-to-end process is suitable and meets known requirements relative to procedure and policies</td>
</tr>
<tr>
<td>Category management</td>
<td>• Validate payment approach for key segments/suppliers</td>
</tr>
<tr>
<td></td>
<td>• Support proposed supplier engagement strategy</td>
</tr>
<tr>
<td>Compliance/audit</td>
<td>• Ensure proposed processes meet requirements and that the relevant control and review points are in place</td>
</tr>
<tr>
<td>End-user/buyer</td>
<td>• Ratify processes and tools and advise how the proposed model could impact existing procedures</td>
</tr>
<tr>
<td>Finance</td>
<td>• Typically assumes the project owner role (or treasury/procurement)</td>
</tr>
<tr>
<td></td>
<td>• Develop the business case and relevant payment strategy with key partners</td>
</tr>
<tr>
<td>Information technology</td>
<td>• Support requirements gathering and system integration planning</td>
</tr>
<tr>
<td>Local business units</td>
<td>• Share current business practices, checking any bespoke requirements are met</td>
</tr>
<tr>
<td>Procurement</td>
<td>• Validate that the project is in line with the overall payment strategy</td>
</tr>
<tr>
<td></td>
<td>• Ensure relevant processes and policies are put into place</td>
</tr>
<tr>
<td>Treasury</td>
<td>• Review the business case and provide oversight and support</td>
</tr>
<tr>
<td></td>
<td>• Leverage the existing relationships with key partners (i.e. banks)</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>External factors</th>
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<tbody>
<tr>
<td>• Identify all stakeholders or interested parties, that will influence the decision, or will be required to assist in deploying the end solution</td>
<td>• Identify existing contracts with card providers, and any restrictions or financial incentives tied to existing agreements</td>
</tr>
<tr>
<td>• Clarify any other projects and priorities which exist that may impact the timing of resource availability</td>
<td>• 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</td>
</tr>
<tr>
<td>• Review any prior experience of card payments that exists within your organisation, and explore if these resources are available to assist the project</td>
<td>• Understand any third party providers that may be important to the new solution (e.g. expense management systems)</td>
</tr>
<tr>
<td>• Consider how you will capture the needs and requirements of all business units, and how broad the engagement should be across the company</td>
<td>• 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</td>
</tr>
</tbody>
</table>

Checkpoint – Assessing your progress
To assess the extent of your stakeholder engagement, you should review if you have:

1. Obtained senior sponsorship/endorsement at board level?
   - [ ] No
   - [ ] Yes

2. Assembled a cross-functional project team, including all relevant departments?
   - [ ] No
   - [ ] Yes

3. Secured the necessary resourcing and budget for the project?
   - [ ] No
   - [ ] Yes
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 facility

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate card</td>
<td>Purchasing card</td>
<td>Lodged account</td>
<td>Digital accounts</td>
</tr>
<tr>
<td>A plastic card issued to selected employees for payment of travel and entertainment expenditure (e.g. flights, hotels, restaurants and taxis)</td>
<td>Cards issued primarily for B2B purchases. Is often issued as a physical card to either a department or individual who undertakes purchasing within the company</td>
<td>Virtual account or card that is held on file by the supplier and used for payment of goods and services (e.g. flights, stationary or courier charges)</td>
<td>Avoids the need to issue a physical card. Instead payment details are transmitted, so they can be embedded into purchasing systems/catalogues, or stored and used for other online purchases</td>
</tr>
</tbody>
</table>

### Payment platforms

Payment platforms integrate with existing processes and enable suppliers to receive electronic payments directly into their bank account.
**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:

1. Understood the range of working capital account solutions that are available?  
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?  
3. Clarified which suppliers and purchases within your organisation are well suited to these types of payments?

---

<table>
<thead>
<tr>
<th>Invoice values</th>
<th>Value of transactions</th>
<th>Supplier profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; $100K</td>
<td>Strategic</td>
<td>Supplier profile A: Key contracted suppliers for major purchases. Payables based approach. Integrated with existing PO process.</td>
</tr>
<tr>
<td>$25K–$100K</td>
<td>Strategic</td>
<td>Supplier profile B: Preferred suppliers for key expenditure. Virtual account embedded into procurement systems or automated payment platforms.</td>
</tr>
<tr>
<td>$5K–$25K</td>
<td>Strategic</td>
<td>Supplier profile C: Regular suppliers of standard commodities. Virtual account managed by A/P or embedded into automated payment platforms.</td>
</tr>
<tr>
<td>&lt; $5K</td>
<td>Non–strategic</td>
<td>Supplier profile D: One-off or regular suppliers, either in-store or online. Physical card or virtual account provided to employee or department.</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Supplier profile</th>
<th>Percentage of company invoices</th>
<th>Percentage of company spend</th>
<th>% target for traditional card payments</th>
<th>Supplier receptivity to card payments</th>
<th>Indicative summary</th>
<th>Proposed card payment approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1%</td>
<td>60%</td>
<td>&lt;5%</td>
<td>Key contracted suppliers for major purchases</td>
<td>Payables based approach. Integrated with existing PO process.</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>4%</td>
<td>10–30%</td>
<td>10–30%</td>
<td>Preferred suppliers for key expenditure</td>
<td>Virtual account embedded into procurement systems or automated payment platforms.</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>15%</td>
<td>30–50%</td>
<td>30–50%</td>
<td>Regular suppliers of standard commodities</td>
<td>Virtual account managed by A/P or embedded into automated payment platforms.</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>80%</td>
<td>50–70%</td>
<td>50–70%</td>
<td>One-off or regular suppliers, either in-store or online</td>
<td>Physical card or virtual account provided to employee or department.</td>
<td></td>
</tr>
</tbody>
</table>
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.

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.

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

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.
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:

**Proposal template example**

**Service level to issue a card**

- **Capability** – the area of interest
- **Question** – the detail you want to understand to assess the capability
- **Format** – instructions as to how the question is to be answered
- **Response** – use the format of your template to control the information you receive back, to allow consistent analysis across providers

**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:

1. Accurately captured your requirements and fully understand the solution that you are buying?

2. Developed a proposal format that will allow you to easily assess a number of different responses from potential providers?

3. Designed a consultative process, and have engaged with potential providers in an open dialogue from the outset?
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:**

<table>
<thead>
<tr>
<th>Client requirement/expectations</th>
<th>Corporations</th>
<th>Card issuers</th>
<th>Issuer’s activities/service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder alignment</td>
<td></td>
<td></td>
<td>Build hierarchy</td>
</tr>
<tr>
<td>Redesign process</td>
<td></td>
<td></td>
<td>Establish data feeds</td>
</tr>
<tr>
<td>Update policies</td>
<td></td>
<td></td>
<td>Set-up cardholder controls</td>
</tr>
<tr>
<td>Employee communication</td>
<td></td>
<td></td>
<td>Process applications</td>
</tr>
<tr>
<td>Internal systems integration</td>
<td></td>
<td></td>
<td>Issue cards</td>
</tr>
<tr>
<td>Document procedures</td>
<td></td>
<td></td>
<td>Train administrators</td>
</tr>
</tbody>
</table>

**B2B payments 2015 Australia and New Zealand research**
**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 onboard 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:

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

1. Effectively spend company funds
2. Ensure professional procurement
3. Purchase the right materials at the right price
4. Gain maximum synergies from using consistent suppliers
5. Assist business units to operate effectively
6. Enable compliance to policy and procedures

**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.

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

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.

“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.

<table>
<thead>
<tr>
<th>Area</th>
<th>Overview</th>
<th>Illustrative examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Introduction</strong></td>
<td><strong>Overall scope and purpose</strong></td>
<td>“The company is targeting annual savings of SX 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.”</td>
</tr>
<tr>
<td><strong>Sourcing strategy</strong></td>
<td><strong>Alignment to strategy</strong></td>
<td>“By implementing the purchasing card solution, we plan to gain working capital savings of SX, and will also rationalise and consolidate our supplier base from Y,000 to Z,000 suppliers.”</td>
</tr>
<tr>
<td><strong>Payment types</strong></td>
<td><strong>Methods to be used</strong></td>
<td>“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.”</td>
</tr>
<tr>
<td><strong>Process steps</strong></td>
<td><strong>High-level process</strong></td>
<td>“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.”</td>
</tr>
<tr>
<td><strong>Timing</strong></td>
<td><strong>Performance standards</strong></td>
<td>“All purchases should be submitted within 30 days. Anything outside of 30 days will be subject to escalation and additional sign-off and reviews.”</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td><strong>Confirm tracking used</strong></td>
<td>“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.”</td>
</tr>
<tr>
<td><strong>Documentation</strong></td>
<td><strong>Identify evidence required</strong></td>
<td>“All transactions &gt;$82.50 ($75 plus GST) will need to be accompanied by a GST receipt, which should be uploaded alongside the transaction via our online system.”</td>
</tr>
<tr>
<td><strong>Penalties</strong></td>
<td><strong>Impact of non-compliance</strong></td>
<td>“Non-compliance to the policy is a serious matter, and will be addressed as outlined in our code of conduct.”</td>
</tr>
<tr>
<td><strong>Contacts</strong></td>
<td><strong>Reference points</strong></td>
<td>“For any queries please refer to the additional details on the company intranet site. Additionally you may contact the procurement team at <a href="mailto:procurement@xyz.com">procurement@xyz.com</a>.”</td>
</tr>
</tbody>
</table>

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:

**Strike 1**
Warning email sent to employee with policies attached

**Strike 2**
Second notification sent to employee, with copy to the line manager

**Strike 3**
Relevant disciplinary action taken in conjunction with HR teams

Checkpoint – Assessing your progress
To assess your policy, you should review if you have:

1. Developed a clearly documented policy that has been communicated to all impacted employees? [ ] No [ ] Yes

2. Had the policy endorsed by key senior management? [ ] No [ ] Yes

3. Built procedures to ensure compliance to the policy is measured and acted upon? [ ] No [ ] Yes
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:

1. Robust end-to-end process
2. Clear policy (measured and enforced)
3. Key metrics and exception reports
4. Spending limits (by user)
5. Merchant category controls
6. Real-time transaction monitoring
7. Corporate liability insurance

“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
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.

### 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.

#### 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.

<table>
<thead>
<tr>
<th>Control area</th>
<th>Detail</th>
<th>Control type (Definitions below)</th>
<th>Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. End-to-end process</td>
<td>• Deliver control via a robust process with relevant checks points&lt;br&gt;• Leveraging card transaction data can improve visibility and efficiency</td>
<td>Soft</td>
<td>High</td>
</tr>
<tr>
<td>2. Clear policy and procedures</td>
<td>• Ensure there is a clear policy that is widely communicated and understood&lt;br&gt;• Compliance must be measured, tracked and enforced</td>
<td>Soft</td>
<td>High</td>
</tr>
<tr>
<td>3. Metrics/exception reports</td>
<td>• Card provider data and insights can drive visibility&lt;br&gt;• Establish regular reports that flag unexpected spend for further investigation</td>
<td>Soft</td>
<td>High/Medium</td>
</tr>
<tr>
<td>4. Spending limits (by user)</td>
<td>• An overall spending allowance as well as single transaction limits can be nominated to restrict purchases above a threshold (eg, $5,000)</td>
<td>Hard</td>
<td>Medium</td>
</tr>
<tr>
<td>5. Merchant category controls</td>
<td>• Expenditure permitted can be restricted by merchant classification for items such as cash access</td>
<td>Hard</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>6. Real-time transaction monitoring</td>
<td>• Card providers have systems to monitor all transactions and identify anomalies including high value purchases</td>
<td>Soft and hard</td>
<td>Medium/Low</td>
</tr>
<tr>
<td>7. Corporate liability insurance</td>
<td>• Many card providers include a complimentary insurance policy to protect organisations in the event of misuse by an employee&lt;br&gt;• Consult your provider to understand the specific terms and conditions</td>
<td>Soft</td>
<td>Medium/Low</td>
</tr>
</tbody>
</table>
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.

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

<table>
<thead>
<tr>
<th>Robust processes</th>
<th>Merchant controls</th>
<th>Liability insurance</th>
<th>Fraud monitoring</th>
<th>Exception reporting</th>
<th>Clear policies</th>
<th>Spending limits</th>
</tr>
</thead>
</table>

Checkpoint – Assessing your progress
To assess your control framework, you should review if you have:

1. Ensured the end-to-end process has clear controls and check points?  
   - [ ] No  
   - [ ] Yes

2. Worked with your card provider to agree the correct level of controls for your organisation?  
   - [ ] No  
   - [ ] Yes

3. Plans to utilise exception reports to flag potential non-compliant spend, rather than solely relying on ‘hard’ blocks/controls? 
   - [ ] No  
   - [ ] Yes

“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
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**

<table>
<thead>
<tr>
<th>Buyer misconception:</th>
<th>Supplier misconception:</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have not been asked to accept card payments so it is not a method my business customers want.</td>
<td>My suppliers would not be willing to accept payment by card, it is likely to be expensive.</td>
</tr>
</tbody>
</table>

**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).

Supplier prioritisation for card-based payments

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

- **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.

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

- **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:**

<table>
<thead>
<tr>
<th>Gaining transparency</th>
<th>Improving insight</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Determines the best way to pay each supplier</td>
<td></td>
</tr>
<tr>
<td>• Identifies the target suppliers</td>
<td></td>
</tr>
<tr>
<td>• Helps develop payables strategy, and opportunities to use solutions</td>
<td></td>
</tr>
<tr>
<td>• Performs payment and supplier analysis</td>
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<tr>
<td>• Provides a comprehensive view of spend</td>
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<tr>
<td>• Quantifies potential program size, savings and efficiencies</td>
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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

How to communicate:
Phone, Meeting, Email, Letters, Outbound Call Centre

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

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:

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:

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)?

2. Established links to ensure card data can be automatically handled and fed into the companies back-office accounting systems?

3. Made full use of the reporting available from your provider to gain insights as to the programs performance?
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.

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

What is change fit?

<table>
<thead>
<tr>
<th>Readiness</th>
<th>Willingness</th>
<th>Ability</th>
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<tbody>
<tr>
<td>to adopt change</td>
<td>to accept change</td>
<td>to implement change</td>
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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

“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
**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.

---

**Checkpoint – Assessing your progress**

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?  
   [ ] No [ ] Yes

2. Developed and deployed communications and training for all relevant employees?  
   [ ] No [ ] Yes

3. Built processes and metrics to monitor the progress of the change?  
   [ ] No [ ] Yes

---

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

Charles Kettering
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.

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.

### 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.)?

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**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.
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? □ □
2. Developed this plan by leveraging industry sources to provide robust data points? □ □
3. Had the plan endorsed/signed-off by key executives? □ □

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? □ □
2. Assembled a cross-functional project team, including all relevant departments? □ □
3. Secured the necessary resourcing and budget for the project? □ □

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? □ □
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? □ □
3. Clarified which suppliers and purchases within your organisation are well suited to these types of payments? □ □

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? □ □
2. Developed a proposal format that will allow you to easily assess a number of different responses from potential providers? □ □
3. Designed a consultative process, and have engaged with potential providers in an open dialogue from the outset? □ □
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? [ ] [ ]
2. Obtained agreement from them as to what assistance they will provide during implementation and throughout the life of the program? [ ] [ ]
3. Achieved clarity on what activities your organisation will need to take responsibility for, and have resources aligned to deliver on these? [ ] [ ]

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? [ ] [ ]
2. Had the policy endorsed by key senior management? [ ] [ ]
3. Built procedures to ensure compliance to the policy is measured and acted upon? [ ] [ ]

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? [ ] [ ]
2. Worked with your card provider to agree the correct level of controls for your organisation? [ ] [ ]
3. Plans to utilise exception reports to flag potential non-compliant spend, rather than solely relying on ‘hard’ blocks/controls? [ ] [ ]

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? [ ] [ ]
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
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)?
2. Established links to ensure card data can be automatically handled and fed into the companies back-office accounting systems?
3. Made full use of the reporting available from your provider to gain insights as to the programs performance?

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?
2. Developed and deployed communications and training for all relevant employees?
3. Built processes and metrics to monitor the progress of the change?

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?
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.)?
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.
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%.

<table>
<thead>
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<th>% of suppliers willing to offer discount in return for faster payment</th>
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<tr>
<td><strong>Australia</strong></td>
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<tr>
<td><strong>New Zealand</strong></td>
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## 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 transaction. 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.

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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.

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*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.*