# Purchasing Card Benchmarking Survey 2010

RICHARD PALMER & MAHENDRA GUPTA

RPMG
Research Corporation

# 2010 Purchasing Card Benchmark Survey Results

by

Richard J. Palmer
Professor of Accounting
Southeast Missouri University

and

Mahendra Gupta
Professor of Accounting and Management
Washington University in St. Louis

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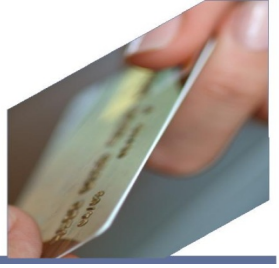

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# Preface

We are pleased to present the 2010 Purchasing Card Benchmark Survey Results (the "Report"). This is our sixth edition of the Report and it offers new insights and information to benefit the reader. This Report presents data and analysis from over 1,900 purchasing card users to identify and understand purchasing card market trends and the factors that contribute to or detract from purchasing card success. As in our previous studies, the objective of the Purchasing Card Benchmark Survey is to provide purchasing card using organizations and their card issuers with information that will help them to maximize the benefits they receive from using or providing the card. The information contained in this document includes:

- Analyses and highlights of current trends in purchasing card use,
- Benchmark data to evaluate purchasing card program success, broken down within corporate (by size and industry) and not-for-profit sectors (by school district, university, city and county government, and state and federal agencies),
- In depth examination of factors critical to the success of purchasing card programs, and
- Projections of future trends and opportunities for purchasing card use.

Financial institutions began marketing purchasing cards in the early 1990's as a solution to the voluminous paperwork associated with the traditional goods acquisition and payment process. Overall, the growth of the purchasing card market in the past twenty years has been consistent and strong in both good and poor economic conditions. However, the patterns of purchasing card use and benefits received by card-using organizations still vary widely. These patterns are becoming increasingly divergent as new card technologies (such as "electronic accounts payable") emerge in the market.

While many organizations advance to the "next level" in purchasing card utilization and benefit, some organizations lag behind. This Report examines the drivers that facilitate an organization's ability to derive the maximum benefit available from purchasing card usage.

We want to express our sincere thanks to the organizations and card issuers that participated in the Survey and offered so much valuable input. We hope that the unselfish commitment of their time results in more friendly and efficient means to acquire and pay for goods for the business and not-for-profit worlds.

**Richard J. Palmer**
*Eastern Illinois University*

**Mahendra Gupta**
*Washington University in St. Louis*

2010 PURCHASING CAR BENCHMARK SURVEY RESULTS

# Executive Summary

# Executive Summary

*The 2010 Purchasing Card Benchmark Survey Results provides one of the most comprehensive independent examinations of organizational use of purchasing cards to date. The benchmarks and analyses in this report are designed to provide readers with facts and tools to help them streamline their procure-to-payment process and maximize the benefits they derive from purchasing card technology.*

Between October of 2009 and December, 2009, invitations to participate in the "2009 Purchasing Card Benchmark Survey" were released to 6,774 purchasing card program administrators at organizations that were either customers of one of 19 major card issuers (including Bank of America, BMO, Commerce Bank, JPMorgan Chase, Citibank, Comerica, Comdata, Fifth Third Bank, FNBO, HSBC, M&T Bank, Mellon Bank, PNC Bank, Regions Bank, Scotiabank, SunTrust, UMB, U.S. Bank, and Wells Fargo) or members of the National Association of Purchasing Card Professionals or National Institute of Government Purchasing. One thousand and nine hundred and fifteen replies were received for a response rate of 28.3%.

A broad spectrum of organizations is represented in the final sample, allowing analysis of purchasing card practices in both Corporate and Not-for-Profit sectors. Spending on purchasing card accounts is analyzed in this Report with respect to past, present, and projected spending patterns in aggregate, by category of goods purchased, and by dollar value of purchases. For purposes of this survey, we identify four types of purchasing cards, as follows:

(1) ***The traditional plastic card--***is a plastic card given to employees to buy goods and services.

(2) ***Ghost card accounts--***defined in our survey as "purchasing card account numbers held in trust by a vendor who charges to the account at the buyer's instruction."

**$161 b**

estimate of 2009 purchasing card spending in North America

(3) ***Electronic Accounts Payable (EAP)--***defined in our survey as "Non-plastic card accounts used to pay for invoiced goods and services (whether set up as a rotating pool of card accounts, ghost card accounts funded only to pay invoices from suppliers, or another arrangement similar in purpose)."

(4) ***Other accounts--***arrangements such as declining balance card accounts, emergency cards, relocation cards, convenience checks, etc.

In 2009, 16.1% of respondents indicate use of EAP accounts, up from 12.6% in 2007. In 2009, 33.3% of respondents utilize "ghost card" accounts, up from 28.8% in 2007. Finally, in 2009, 6.0% of respondents report "Other" types of purchasing card accounts, up from 2.7% in 2007. In sum, it appears that organizations are steadily expanding their use of purchasing card technology to suit their particular buying habits and control requirements.

On the whole, the survey results present a very positive portrait of purchasing card value in the marketplace. This Report substantiates and clarifies the progress of purchasing card technology in the North American market, reveals new market opportunities for purchasing card use, and uncovers potential challenges to the success of purchasing card programs for both card users and issuers. The major findings of the survey by section are as follows:

**$213 b**

expected p-card spending in North America in 2012

## Overall Trends in Purchasing Card Spending

- Average organizational purchasing card spending increased 17.6% in the two year period from 2007 through 2009. This rate represents a slowdown in North American purchasing card spending growth, which we reported to be 24% between 2005-2007.

- The overall slowdown in the purchasing card spending growth rate is primarily attributable to changes in the Corporate sector, where purchasing card spending growth fell from 27.0% between 2005-2007 to 14.9% between 2007-2009. By contrast, the purchasing card spending growth rate of the Government and Not-for-Profit segment remained basically unchanged, going from 20.0% between 2005-2007 to 20.5% between 2007-2009.

- This Report examines the purchasing card program performance in three Corporate size categories: Fortune 500 Size (annual sales revenue greater than or equal to $2 billion), Large Market (annual sales revenue greater than or equal to $500 million but less than $2 billion), and Middle Market (annual sales revenue greater than or equal to $25 million but less than $500 million). Among

Corporations, the greatest decline in purchasing card spending growth rate over the past two years occurred in the Fortune 500 Size category, where the growth rate fell by more than half (from 24.0% between 2005-2007 to 9.1% between 2007-2009). Only Middle Market corporations experienced a higher growth rate between 2007-2009 than 2005-2007.

- Going forward, 78% of all respondents expect to increase purchasing card spending over the three year period from 2009 through 2012. Only 13% of respondents expect no change and 9% expect a decline in purchasing card spending between 2009-2012.

- Average organizational purchasing card spending is expected to increase over the 2009 base year by 9.1% in 2010, by 32.3% by 2012, and by 58.3% by 2014. The expected cumulative growth rate over the next three years is higher among Corporations (38%) than Government and Not-for-Profit organizations (28%).

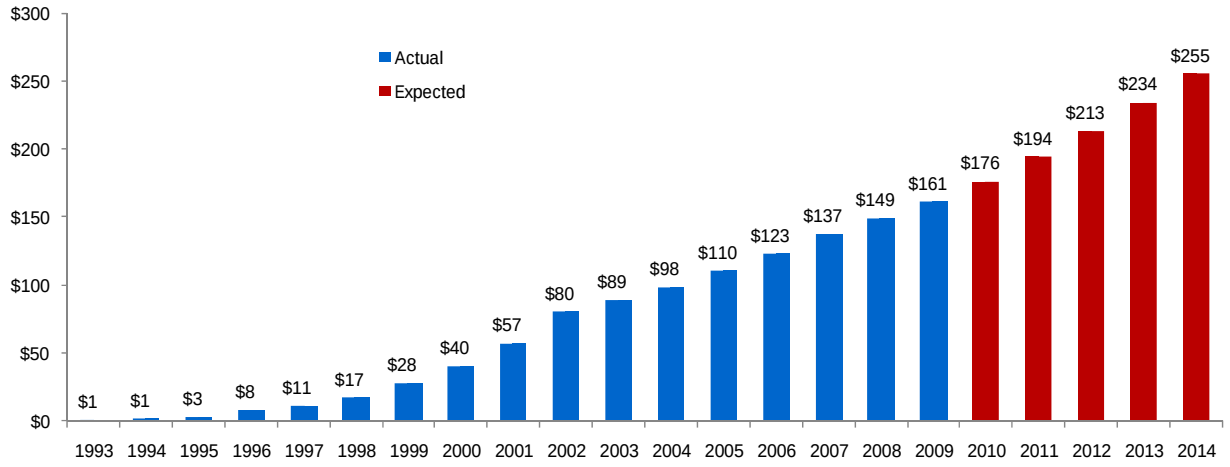
- Most respondents who experienced purchasing card spending growth from 2007 through 2009 also expect continued growth from 2009 through 2012. Furthermore, the vast majority of respondents that saw purchasing card spending decline or stay flat in 2007-2009 are expecting purchasing card spending growth between 2009-2012, thus indicating that past reductions in purchasing card use are not attributable to any systemic or perceived decline in the card value proposition. Given the economic turmoil of the past two years and the uncertainty about the future economic climate, this appears to be a strong affirmation of the purchasing card value proposition.

- The most oft-cited reasons for expected purchasing card spending growth over the next five years are expected increases in the distribution of cards to employees, expected increases in the organization's overall budget, and the initiation of or increase in the use of e-payables card technology.

- Purchasing card spending has grown almost three times as fast as overall U.S. GDP over the last seven years. While GDP has increase 33% between 2002 and 2009, purchasing card spending has increased 103%. Most impressive is the fact that even though GDP has been flat or declining since 2008, purchasing card spending has continued its upward movement.

- We estimate the annual purchasing card spending in North America to be about $161 billion in 2009. Annual purchasing card spending is expected to increase to $176 billion in 2010, $213 billion by 2012, and $255 billion by 2014.

**Purchasing Card Spending in North America (in $ billions)**




## Spending Norms, Transaction Capture, and Purchasing Behavior

- Comparisons of similar size organizations in 2007 and 2009 indicate that a typical purchasing card program increased the percentage of employees given a purchasing card from 9.3% to 10.7% and the average transaction amount increased from $281 to $315. As a consequence, a typical organization engages in about $220 of monthly purchasing card spending per employee in 2009, up from $190 in 2007. The average purchasing card account has $2,062 of charges per month, up slightly from $2,037 in 2007.

- Organizations continue to steadily increase their capture of low-value transactions with purchasing cards. In 2009, respondents (on average) paid for 44% of their under $2,500 transactions with the purchasing card, up from 37% in 2007 and 33% in 2005.

- Use of the purchasing card for “higher ticket” goods and services is growing steadily. In 2009, respondents (on average) paid for 28% of their $2,500 to $10,000 transactions with a purchasing card, up from 19% in 2007 and 15% in 2005.

- The most common non-card payment mechanism continues to be checks. The larger the organization, the less likely that an under $10,000 purchase will be paid by check and the more likely it will be paid by electronic means including purchasing cards and ACH.

- While purchases of office supplies, MRO, and computer hardware, software, and peripherals continue to be the most common application of purchasing cards, respondents continue to expand their use of purchasing cards for a wide array of business services, including printing and duplicating, catering, media and advertising, mail delivery, telecommunications, transportation and delivery, professional services, utilities, rental payments, and temporary help.

- Purchasing cards appear to fit well with the delegated responsibilities of modern organizational purchasing. Specifically, 37% of purchasing card spending occurs in "face-to-face" transactions between an employee and a merchant, 26% occur over the phone, and 25% via the Internet. Less frequent purchasing card procurement modes include mail order (5%), e-procurement portals (4%), and "other" methods (3%).

## The Impact of Purchasing Cards on Organizational Cost and Efficiency

- Purchasing card use is generating overall transactional cost savings of more than $38 billion per year in North America, based on respondent-reported administrative cost savings of $71 per transaction when compared to the traditional purchase-order driven acquisition process.

- Most organizations report reductions in the manpower required to conduct the Purchasing and Accounts Payable activities due to purchasing card use. On average, one Accounts Payable FTE was eliminated for about every 15,000 purchasing card transactions and one Purchasing FTE was eliminated for every 17,842 transactions. Taken together, one FTE was eliminated for every 8,149 purchasing card transactions.

**$38 b**

in transaction cost savings from p-card use across North America in 2009

- Twenty-six percent of respondents report that their organization uses purchasing card spending data to obtain a higher discount for goods or services from a vendor, up from 22% in 2007.

- Of those organizations using purchasing card spending data to obtain higher discounts, 60% report obtaining higher discounts. The absolute improvement in the discount, on average, is 2.2%. If the improvement in the discount applied to all purchasing card spending, an organization with $1 million per month in purchasing card spending would generate an additional savings of $264,000 per year.

- Forty-nine percent of respondents indicate that merchants who accept purchasing cards have increased their share of business with their organization when compared to merchants who did not accept purchasing cards.

- Purchasing card use resulted in, on average, a 72% reduction in the time elapsed from the placement of an order to the date goods are received.

- By virtue of purchasing card use, 32% of respondents reduced the number of suppliers maintained in the Accounts Payable master file (by an average of 16%).

- The primary goals for purchasing card programs appear to have reached a steady state. Since 2007 and through to 2012 organizations have identified or expect key program goals to include (1) increased convenience of purchasing for employees, (2) reductions in the transaction processing workload, (3) reductions in the time needed to obtain goods and services, and (4) reductions in the labor and administrative costs associated with procurement and payables.

## Use of Electronic Accounts Payable

- Our survey defines Electronic Accounts Payable (EAP) cards as "non-plastic card accounts used to pay for invoiced goods and services (whether set up as a rotating pool of card accounts, ghost card accounts funded only to pay invoices from specific suppliers, or another arrangement similar in purpose)."

- The top quartile (median) EAP spending is $495,000 ($150,000) per month. The average EAP transaction is for $1,229, over four times larger than a typical plastic card transaction ($276) across the sample. The typical organization that uses EAP pays for 26% of all purchasing card spending with EAP accounts.

- EAP is currently in use at 25.7% of Fortune 500 Size companies, 21.9% of Large Market companies, 17.2% of Middle Market companies, and 12.1% of Government and Not-for-Profit entities.

- Across all types of organizations, the percentage of organizations using EAP has grown steadily since 2005. By 2012, almost half of all respondents expect to use EAP, including 68% of Fortune 500 Size and 59% of Large Market companies.

- Seventy-six percent of EAP-using organizations indicate that EAP spending has had "little or no impact" on plastic purchasing card spending; only 3% indicate that EAP spending has had a "significant" impact on plastic purchasing card spending.

- Fifty-five percent of EAP-using organizations indicate that EAP purchases are for goods and services that are “different” from purchases made on plastic purchasing cards. Among these organizations, the primary differences are that the purchases are (a) from vendors with whom the organization conducts a high number of transactions (56%), (b) for higher dollar amounts (55%), and/or (c) for transactions that require additional approvals/controls prior to payment (45%).

- In comparison to organizations that do not use EAP, organizations that use EAP report a significantly higher purchasing card spending growth in the two-year period from 2007 through 2009 (48.7% versus 11.8%) and expect higher purchasing card spending growth in 2010 (11.4% versus 8.7%), between 2009 and 2012 (41.3% versus 30.6%) and between 2009 and 2014 (74.3% versus 55.2%).

- In comparison to similar-size organizations that do not use EAP accounts, organizations that use EAP report 47% higher average monthly purchasing card spending ($1.7 million versus $1.2 million), and 36% higher monthly purchasing card spending per employee ($262 versus $198).

- Organizations that use EAP accounts report that a lower percentage of the employee base is provided with a plastic card and they assign lower monthly spending limits to those cards. Organizations that use EAP also report 18% fewer plastic card transactions, reducing the extent to which administrative cost savings are experienced by the organization.

## Card Program Use of Ghost Accounts

- Ghost accounts—defined in our survey as “any arrangement in which a purchasing card account is held in trust by a vendor who charges to the account at the buyer’s instruction” were developed almost as early as the plastic purchasing cards themselves. Ghost cards may exist in other forms and/or be defined in different ways in the market, including account numbers held by the end user, rather than the vendor, and used to pay invoices. Our survey classification of the ghost card does not include these other forms or definitions of ghost card accounts.

- Ghost accounts are used by about one-third of organizations with purchasing cards. They are more common at Fortune 500 Size companies (48%) and Large Market corporations (45%), relative to Middle Market corporations (31%) and Government and Not-for-Profit entities (32%).

- Average (median) monthly spending on a ghost account is $419,732 ($68,750) per month. The average ghost account transaction is for $542, almost two times larger than a typical plastic card transaction ($276) across the sample. The typical organization that uses ghost card accounts pays for 21% of all purchasing card spending with these accounts.

- Respondents that use ghost accounts are more likely to use purchasing card spending data to obtain a discount for goods or services from a vendor (41% versus 24% for plastic card only programs), and are more likely to (72% versus 51% for plastic only programs) negotiate a higher discount because of the use of purchasing card data.

## Best Practice: Key Program Performance Measures

- Eighty-one percent of overall purchasing card spending in 2009 was conducted by 20% of the respondent base. In fact, the top 40% of respondents generated almost 94% of total purchasing card spending while the bottom 60% generate only about 6% of total spending.

- Within any given category of purchasing card-using organizations (e.g., Fortune 500 Size), the top 40% of respondents account for almost 80% of total purchasing card spending within the category. This variance in spending pattern reflects great potential for growth for many card programs.

- We define “best practice” (hereafter called BP) purchasing card programs as those that report at least one top quartile (and no bottom quartile) metric across four key performance measures, including (1) the percentage of under $2,500 transactions paid by purchasing card, (2) the percentage of $2,500 to $10,000 transactions paid by purchasing card, (3) purchasing card spending as a percent of annual sales revenue (or budget), and (4) purchasing card spending per employee. The actions, decisions, choices, and policies of this group define the core of “best practices” throughout this Report and will be compared against “needs improvement” (NI) programs. A NI purchasing card program has at least one of the four performance metrics in the bottom quartile and none in the top quartile of responses.

- The first distinction found between BP and NI purchasing card programs is that BP programs report nearly five times higher average monthly purchasing card spending ($2.1 million versus $425,938).

- Organizations with BP purchasing card programs distribute, on average, more than twice as many cards as organizations with NI programs. As a percent of the employee base, BP programs provide an average of 19.8% of employees with purchasing cards.

- Monthly spending per card at BP organizations is over twice that of the NI group ($2,126 versus $1,060), driven by a higher average transaction amount ($309 versus $225) and more active utilization of the purchasing card (6.87 versus 4.72 monthly transactions per card).

- BP organizations not only disseminate purchasing cards to a larger percentage of the employee base than their NI counterparts, they also report a higher percentage of cards actively used in a typical month (84% versus 79%).

- Organizations with BP purchasing card programs report monthly purchasing card spending per employee that is 5 times higher than NI programs ($422 versus $82).

## Best Practice: Card Distribution and Card Account Types

- Purchasing card programs with high card distribution significantly outperform their low card distribution counterparts. The average and median monthly purchasing card spending at high card distribution organizations is about twice the level of similar-sized organizations with low card distribution.

- Higher (lower) levels of purchasing card distribution exist among BP (NI) organizations of all sizes. BP (NI) organizations with less than one thousand employees distribute purchasing cards to 42.6% (19.9%) of the employee base; BP (NI) organizations with 1,000 to 9,999 employees distribute purchasing cards to 21.9% (10.1%) of the employee base; and BP (NI) organizations with 10,000 or more employees distribute purchasing cards to 17.4% (5.9%) of the employee base.

- In comparison to NI purchasing card programs, BP organizations are more likely to use ghost cards (39% versus 29%) and EAP accounts (24% versus 12%) and more likely to drive higher levels of spending to those accounts.

- BP and NI programs tend to differ in how EAP account purchases are distinguished from those made on plastic cards. EAP purchases at BP programs are more likely to be for goods of a higher dollar value or for transactions requiring additional approvals/controls prior to payment. By contrast, NI program EAP purchases are more likely to be for services which are not allowed to be paid by plastic purchasing cards.

- BP purchasing card programs, in aggregate, report significantly more spending and transactions on all card platforms (plastic, ghost, and EAP).

## Best Practice: Spending Limits and Cardholder Activity

- Higher monthly and per transaction spending limits are differentiating features of BP purchasing card programs.

- Eighty-three percent of NI but only 52% of BP purchasing card programs have a transaction spending limit that is at or below the $2,500. Conversely, 48% of BP but only 17% of NI purchasing card programs have per transaction spending limits that are above $2,500. The average per transaction limit for the BP group is $3,266 and $1,895 for their NI counterparts.

- Sixty-six percent of NI but only 43% of BP purchasing card programs have monthly spending limits that are at or below $5,000. Conversely, 57% of BP but only 34% of NI purchasing card programs have monthly spending limits that are above $5,000. The average monthly spending limits are $11,578 and $6,464 for BP and NI groups, respectively.

- Lower per transaction limits will affect what and how much can be bought with the purchasing card. Consequently, the increase in the transaction spending limit has a “dual effect”--increasing both the number of transactions and the average transaction amount. The combined effect of these changes is a significantly larger amount of spending placed on purchasing cards.

## Best Practice: Allowable Spend Categories and Purchasing Methods

- Both BP and NI organizations commonly use the purchasing card to acquire office equipment, MRO goods, and computers and peripherals. However, the percent of BP organizations using the purchasing card to acquire other types of goods (including clothing/uniforms, inventory, and capital assets) is notably higher than NI organizations.

- BP organizations are significantly more likely than NI organizations to allow purchasing card payment for a wide variety of services with purchasing cards, including telecommunications, transportation and delivery, media and advertising, printing and duplicating, and utilities.

- BP organizations are not only more likely to allow for purchasing card purchases of a wider variety of goods and services, they are also more likely to pay for more of those goods and services with the purchasing card. Purchasing card payment as a percent of total spending on a good/service category by BP organizations is significantly higher for office equipment, printing and duplicating, mail delivery, clothing/uniforms, media and advertising, computer hardware, software, and peripherals, and transportation and delivery.

- BP organizations pay for a higher percentage of their e-procurement transactions with a purchasing card than their NI counterparts.

## Best Practice: Program Management

- Purchasing Card Administrators (PCAs) at BP organizations report greater influence over card program management. The most distinct differences relate to activities to establish/change p-card program policies and procedures, to determine the amount of resources to be directed to different p-card initiatives, and to determine the level of distribution of cards throughout the organization.

- Commonly used measures to evaluate purchasing card program performance include cardholder satisfaction with the purchasing card program, the number of active cardholder accounts, and the dollar amount of purchasing card purchases.

- A higher percentage of BP organizations evaluate purchasing card program performance by considering the percent of targeted vendors accepting purchasing cards, the targeted percent of small dollar spending or transactions charged on purchasing card, and the number of active cardholder accounts.

- Organizations with an optimized organizational design to support card program management report higher monthly purchasing card spending, higher card distribution, higher capture of the under $2,500 and $2,500 to $10,000 transactions on the purchasing card, and higher purchasing card spending per employee than organizations with sub-optimized organizational design programs.

- Organizations with an optimized organizational design to support card program management report more PCA actions to expand and control purchasing card spending and employee understanding of card program policies and procedures.

- Organizations with BP purchasing card programs report significantly higher levels of vocal top management support and employee awareness of the benefits of purchasing card use than organizations with NI card programs.

- Purchasing card program administration is typically a part-time position until the program grows past 200 cards. At that point the majority of programs use one or more full-time employee (FTE) to administer the program. Employment of "support personnel" increases from a median of 0.25 FTE in small (1-199 cards) programs and up to 2 or more FTE in large (1,500 or more) purchasing card programs.

- Organizational culture may play a hidden but important role in the success of a purchasing card program. Responses to our survey reveal that BP organizations are more likely to value innovation, willingness to experiment, and employee empowerment than organizations with NI purchasing card programs.

## Best Practice: Program Optimization

- BP purchasing card programs are more likely to assess purchasing card program potential by analyzing check payments, reviewing purchase requisition traffic, and comparing organizational card performance against published benchmark figures.

- BP purchasing card programs go beyond higher card distribution to reach card program potential. For example, BP organizations are more likely to target specific vendors, commodities, or services for purchasing card payment, use the bank's list of card-accepting merchants to identify additional card payment opportunities, and implement procedural steps that help drive spending to the purchasing card.

- BP purchasing card programs are more likely to require cardholders to use "preferred vendors" for specific types of goods or services and report a reduction in their AP active supplier list.

- BP purchasing card programs are more likely to report that their card-accepting suppliers have increased their share of business with the organization compared to suppliers who do not accept purchasing cards.

- BP organizations are more likely to mandate use of the purchasing card for purchases below a particular dollar amount. Further, those BP organizations that mandate card spending set a higher threshold amount ($7,500) than NI programs ($4,000) below which all transactions are to be paid by purchasing card.

- BP purchasing card programs are more likely to require initial and refresher training to employees. Further they are more likely to provide web-based training materials or self-study training materials to employees.

- BP purchasing card programs are significantly more likely than other programs to have an ongoing method of communicating purchasing card information to cardholders and managers, use a Web-site to answer purchasing card questions, and support program administrator attendance at purchasing card user conferences.

## Summarizing "Best Practices" and Insights into Program Growth

- As with most new technology, purchasing card programs progress in an incremental fashion toward their goals as they mature. Over time, we find that most purchasing card programs (a) distribute cards to a higher percentage of employees, (b) increase spending limits, (c) adopt policies to drive low-value spending to the cards, (d) relax restrictions about who can receive a purchasing card, and (e) engage in actions to actively promote card program growth.

- From the "get go" cardholders at BP organizations are more aggressive about purchasing card use—reporting higher spending and far fewer inactive cards than NI programs. This early experience appears to set the stage for rapid maturation in BP programs. By contrast, NI programs have unusually low card utilization and a high percentage of inactive cards in the formative years. From that point, their forward movement is at a slower pace.

## The Organizational Wallet and Dual Use of Purchasing Cards

- Of purchasing card-using organizations, 68% also have corporate travel cards, 58% have fleet cards, 18% have event/meeting cards, and 2% have relocation cards. The use of the other card platforms is influenced by the size and type of organization.

- The movement toward the use of purchasing cards for travel (either in an *ad hoc* or systematic fashion) continues to grow in the marketplace across all organizational types and particularly among smaller organizations. In 2009, the majority of respondents allowed travel spending on purchasing cards even though many also had a corporate travel card program.

- Relatively fewer larger companies use the purchasing card to pay for travel spending—in part, because they are more likely to provide their employees with travel cards.

- Fortune 500 Size companies that allow travel spending on the purchasing card report significantly higher card distribution across the employee base and 46% higher average monthly purchasing card spending. The average transaction amount for companies using the purchasing card for travel is notably lower than at programs that do not allow travel to be paid with purchasing cards.

## Global Use of the Purchasing Card

- Thirty-one percent of Corporate respondents identified themselves as "a multinational company (MNC) with significant operations and sales in multiple continents around the globe." However, only 33% of MNCs responding to the survey report issuing purchasing cards to employees in business units located outside of North America.

- Among respondents that provide purchasing cards to employees outside of North America, the majority of companies (56%) report having purchasing cards in the United Kingdom. Less commonly, companies issue purchasing cards to employees in business units located in Asia and the Asia Pacific Region (41%), Continental Europe (37%), South and Central America and the Caribbean (30%), the Middle East (26%), Australia (26%), and Africa (4%).

- Among Fortune 500 MNCs with purchasing cards issued to employees outside of North America, the average purchasing card spending as a percent of sales revenue at business units in North America is .56%; by contrast, purchasing card spending as a percent of sales revenue at business units outside of North America is .10%. Thus, a nearly six-fold opportunity exists in the "capture" of spending on purchasing cards outside of North America.

- If Fortune 500 MNC purchasing card spending at non-North American business units was the same as North American business units, the typical company would see its monthly purchasing card spending increase by more than 30%.

- Respondents most frequently identify “card acceptance” as a major challenge to purchasing card use outside of North America. Other challenges, less frequently noted, include card issuer capability, exchange rates and currency conversion fees, VAT reclamation issues, fraud and security concerns, and language and cultural issues.

- Going forward, the highest percentage of respondents expect purchasing card spending growth in Asia and Asia Pacific Region (55%), the United Kingdom (48%) and Continental Europe (47%).

## Purchasing Card Policy Violation and Misuse

- For purposes of this survey, card misuse is defined as “fraudulent or misrepresented use of the purchasing card.” Fraud is defined as a charge of goods or services to the purchase card by any unauthorized user. When such event is carried out by a third party, the incident is referred to as external fraud. When the unauthorized card user is an employee of the organization and he or she uses the card for personal purchases, the incident is referred to as internal fraud. Card misrepresentation is any event in which an authorized cardholder makes a personal transaction on the purchasing card and “misrepresents” the purchase as a bona fide business charge.

- About two-thirds of purchasing card fraud and employee misrepresentation incidents resulted in no direct loss to the card-using organization. Moreover, the bulk of these incidents were concentrated in a small percent of organizations.

- The losses associated with purchase card fraud and employee misrepresentation remain relatively insignificant, accounting for 0.008% of purchasing card spending, which is the equivalent of $80 of fraud and misrepresentation loss to the organization for every $1 million of purchasing card spending.

- In comparison to other payment methods, 84% (76%) of respondents believe that purchasing card spending is associated with a similar or lower likelihood of fraudulent (misrepresented) spending activity.

- For purposes of the survey, purchasing card policy violations are internal issues related to cardholders’ spending that is in conflict with organizational guidelines. Common examples of policy violations include the purchase of more, or of higher quality, goods/services than desired by the organization, work related purchases made from unauthorized vendors or by unauthorized employees, and purchases made without receiving the proper authorization prior to the purchase.

- In most cases, the financial damage to the organization caused by purchasing card policy violations is very small. Moreover, the loss due to policy violations is concentrated in a small percent of organizations.

- Organizational loss associated with purchase card policy violations account for 0.006% of purchasing card spending--the equivalent of $60 of policy violations for every $1 million of purchasing card spending.

- In comparison to other payment methods, 85% of respondents believe that purchasing card use is associated with a similar or lower likelihood of procurement policy violations.

## Trends in Customer Satisfaction

- Overall, card users appear to be very satisfied with the economic aspects of their purchasing card program.

- Customers report steady increases in satisfaction since 2005 on four of the five most important economic dimensions of card use, including liability protection for lost/stolen cards, liability protection from employee misuse, bank fees, and the overall economic relationship with the card issuer in relation to purchasing cards.

- While significant negative importance/satisfaction gaps remain in the area of customer service, there have been steady increases in satisfaction with customer service since 2005. Customer satisfaction increased in 14 of the 16 customer service items between 2005 and 2007. By 2009, satisfaction scores rose again or stayed steady for all 16 items.

- Customer satisfaction with overall capture of transaction-related information increased significantly since 2007.

- Customer satisfaction with the integration of purchasing card spending data into general ledger, Accounts Payable, or other internal systems has increased since 2007, but remains an area of improvement potential for card issuers.

- Forty-one percent of all respondents manually input some or all of their purchasing card spending data into their general ledger, Accounts Payable, or other internal system (down from 48% in 2007). Universities, Fortune 500 Size, and Large Market corporations are less likely to manually input purchasing card data. Manual re-entry of purchasing card data into organizational ledgers is a pure loss of the efficiency promised by card use.

- Best practice (BP) purchasing card programs are more likely to seamlessly import and integrate all of their purchasing data into their organizational accounting systems than their “needs improvement” (NI) counterparts. Correspondingly, BP programs report significantly higher satisfaction with data integration than NI programs.

- Companies that do not have complete integration of purchasing card data into their accounting system are almost twice as likely to be considering switching card issuers. They also are significantly less satisfied with their card issuer’s “knowledge of [their] organization's purchasing/payables software and business process” the “ability of bank technology to support purchasing card program management,” and the “ability to self manage the purchasing card program.”

- Generally, respondents place greatest importance on card program management software capabilities that enable them to self-manage their card programs in real-time fashion, including the ability to (1) terminate/order purchasing cards, (2) obtain access to information on card spending approvals/declines, (3) modify spending limits, and (4) perform cardholder data maintenance.

- The most important aspect of purchase card spend reporting is simple readability. Respondents also place higher importance on access to current and previous cardholder statements, the length of transaction history, disputed transaction tracking, and the ability to customize reports to the needs of the business.

- Notwithstanding continuous improvement since 2003, notable negative importance/satisfaction gaps remain for (a) readability of reports, (b) the ability to customize reports to needs of business, (c) the ability to generate program performance metrics, (d) disputed transaction tracking, (e) spend analysis, and (f) card misuse analytics.

## Customer Satisfaction and Its Relation to Card Program Performance and Switching

- In comparison to respondents with low satisfaction, organizations with high satisfaction report significantly higher (1) monthly organizational spending, (2) purchasing card distribution, and (3) spending per employee.

- Low satisfaction respondents are almost four times as likely to be considering switching card issuers than “high satisfaction” respondents.

- Fifty-eight percent of respondents have not switched card issuers over the life of their purchasing card program. The vast majority of respondents that have switched card issuers have done so only one time. Only 14% of respondents have switched two or more times.

- The most prominent reasons for switching have been the need for “better service and support”, followed by “greater revenue sharing in rebates” and “better card spend reporting capabilities.”

- Compared to organizations that are not considering switching card issuers, organizations considering switching are less satisfied with every aspect of card issuer activity, but most dissatisfied with customer service and support.

## Card Program Performance of Corporations: Fortune 500 Size

- Fortune 500 Size companies (those with annual revenue in excess of $2 billion) report average purchasing card spending growth of 4.6% per year over the past two years and expect average purchasing card spending growth of 12.8% per year over the next five years.

- Average monthly organizational purchasing card spending at Fortune 500 size companies has risen from $4.9 to $5.2 million between 2007 and 2009. The key factor associated with the higher spending is an increase in the number of cards distributed to employees.

- A top quartile Fortune 500 size company in 2009 had nearly $10.2 million of annual purchasing card spending for every $1 billion in revenue.

- Among Fortune 100 Size companies (defined as corporations with annual revenue in excess of $20 billion), average monthly purchasing card spending is now $10.2 million per month.

## Card Program Performance of Corporations: Large and Middle Market

- Large Market companies report average purchasing card spending growth of 11.4% per year over the past two years and expect average purchasing card spending growth of 15.2% per year over the next five years.

- Average monthly purchasing card spending in the Large Market rose from $969,901 in 2007 to $1,028,001 in 2009. One of the factor associated with the higher spending is an increase in the capture of higher dollar (between $2,500 to $10,000) transactions on purchasing cards.

- Middle Market companies report average purchasing card spending growth of 22.1% per year over the past two years and expect average purchasing card spending growth of 14.4% per year over the next five years.

- Average monthly purchasing card spending in the Middle Market rose from $366,154 in 2007 to $381,080 in 2009. The key factor associated with the higher spending is an increase in the number of cards distributed to employees.

## Card Program Performance of Government Organizations

- Purchasing card spending by the U.S. Government has increased for 19 straight years, rising from $56 million in 1990 to $20.0 billion in fiscal year 2009.

- Federal agencies report that 2008 purchasing card spending increased by 6.2% over 2007 (from $18.7 billion to $19.8 billion), but 2009 spending was nearly flat (at $20.0 billion), increasing by only .8% over the 2008 level. Federal agencies expect average purchasing card spending growth of 9.4% per year over the next five years.

- "Best practice" federal agencies constituted only 9% of the U.S. Government budget but conducted 63% of total Federal purchasing card spending. By contrast, there are over 50 agencies that constitute more than 90% of the Federal budgeted outlay but conduct only 33% of purchasing card spending. The "best practice" Federal agencies report significantly higher card spending as a percentage of budget, more liberal card distribution, and more active card use by cardholders.

- If all Federal agencies used the purchasing card in a manner similar to "best practice" Federal agencies, the Federal government would increase spending by $115 billion per year and realize additional administrative cost savings of $10.1 billion per year.

- State agencies report average purchasing card spending growth of 5.1% per year over the past two years and expect average purchasing card spending growth of 8.6% per year over the next five years (the lowest of all group categories).

- Cities and County respondents report average purchasing card spending growth of 11.4% per year over the past two years and expect average purchasing card spending growth of 9.2% per year over the next five years.

## Card Program Performance of Education and Not-for-Profit Organizations

- Colleges and Universities report average purchasing card spending growth of 10.1% per year over the past two years and expect average purchasing card spending growth of 8.8% per year over the next five years.

- Average monthly purchasing card spending at large (5,000 or more employees) Colleges and Universities rose from $2.8 million in 2007 to $3.2 million in 2009. Average monthly purchasing card spending at small Colleges and Universities rose from $499,196 in 2007 to $637,585 in 2009. The key factor associated with the higher spending is an increase in the transaction activity driven to the purchasing cards.

- In comparison to the total sample, both Large and Small Universities have above average card distribution (16.9% and 22.1%, respectively), above average monthly purchasing card spending per employee ($291 and $332, respectively), and above average capture of under $2,500 transactions on purchasing cards (55% and 47%, respectively).

- School Districts report average purchasing card spending growth of 13.3% per year over the past two years and expect average purchasing card spending growth of 9.4% per year over the next five years.

- Average monthly purchasing card spending at School Districts rose from $390,473 in 2007 to $414,340 in 2009.

- Not-for-Profit organizations report annual average purchasing card spending growth of 12.4% per year over the past two years and expect average purchasing card spending growth of 13.2% per year over the next five years.

- Average monthly purchasing card spending at Not-for-Profit organizations rose from $676,141 in 2007 to $822,259 in 2009. This spending is driven by higher average monthly spending per card and spending per transaction.

## Card Program Performance of Small Organizations

- Small Organizations (Corporations with annual sales revenue of less than $25 million or Government or Not-for-Profit entities with budgets of less than $25 million) report average purchasing card spending growth of 20.3% per year over the past two years and expect average purchasing card spending growth of 10.4% per year over the next five years.

- Average monthly purchasing card spending at a Small Organization is $63,784.

- In comparison to the total sample response, Small Organizations distribute purchasing cards to a greater percent of their employee base, capture a modestly higher percent of under $2,500 and $2,500 to $10,000 transactions on the purchasing card, and have significantly higher monthly purchasing card spending per employee.

- In comparison to the total sample response, Small Organizations are more likely to indicate that “reducing the time needed to obtain goods and services” and “obtaining better data to increase control over spending” are primary goals of their purchasing card program.

- Small Organizations are more likely to use their purchasing cards for capital asset acquisitions. Further, Small Organizations, on average, pay for 37% of their capital asset acquisitions with purchasing cards, more than double the average of the sample.

- Small organizations are more likely to restrict card use to managers or Purchasing personnel.

- Small Organizations are notably less likely than the total sample to be considering switching purchasing card issuers.

01

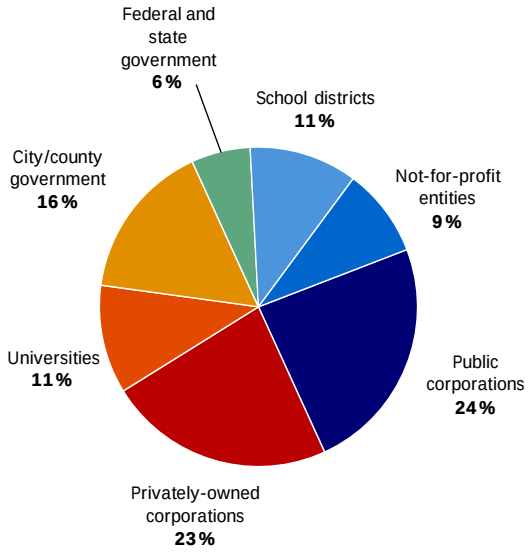
# Introduction, Definitions, and Description of Sample

# Introduction, Definitions, and Description of Sample

In October of 2009, a 40-page web-based "2009 Purchasing Card Benchmark Survey" was released to 6,774 purchasing card program administrators at organizations that were either customers of one of 19 major card issuers (including Bank of America, BMO, Commerce Bank, JPMorgan Chase, Citibank, Comerica, Comdata, Fifth Third Bank, FNBO, HSBC, M&T Bank, Mellon Bank, PNC Bank, Regions Bank, Scotiabank, SunTrust, UMB, U.S. Bank, and Wells Fargo) or members of the National Association of Purchasing Card Professionals or the National Institute of Government Purchasing. One thousand and nine hundred and fifteen responses were received for a response rate of 28.3%.[1] All major purchasing card issuing brands (American Express, MasterCard, and Visa) are represented in the survey response.

> "Vision is not enough, it must be combined with venture. It is not enough to stare up the steps, we must step up the stairs.
>
> *Vaclav Havel*

**Exhibit 1**
**Respondents by Organizational Type**




[1] Occasionally, one or more respondent may have given an incomplete response resulting in a different number of responses for different questions. Throughout this report, our analysis of any given question will be based on usable responses to each question. In addition, we have purged unusual "outlier" responses to specific questionnaire items when appropriate to facilitate a meaningful understanding of the data.

**Exhibit 1** shows a breakdown of survey respondents by organizational type: 24% are public corporations, 23% are privately-owned corporations, 11% are universities, 16% are city or county governmental units, 6% are federal or state government agencies, 11% are school districts, and 9% are not-for-profit organizations.

**Exhibit 2** below separates the public and private corporations (which represent 47% of the total sample response as shown in Exhibit 1) into four size categories: 27% are "Fortune 500 Size" companies (annual sales revenue greater than or equal to $2 billion), 24% are "Large Market" companies (annual sales revenue greater than or equal to $500 million but less than $2 billion), 38% are "Middle Market" companies (annual sales revenue greater than or equal to $25 million but less than $500 million) and 11% are "Small Market" companies (annual sales revenue of less than $25 million). To minimize any potential for distortion due to the presence of smaller organizations in the sample, all figures and exhibits shown in this Report exclude Corporations with less than $25 million in annual sales revenue and Government and Not-for-Profit entities with annual budgets below $25 million. Information and a detailed discussion about purchasing card programs at these organizations are included in the section entitled "Card Program Performance of Small Organizations" later in this Report.

**Exhibit 2**
**Corporate Respondents by Size**

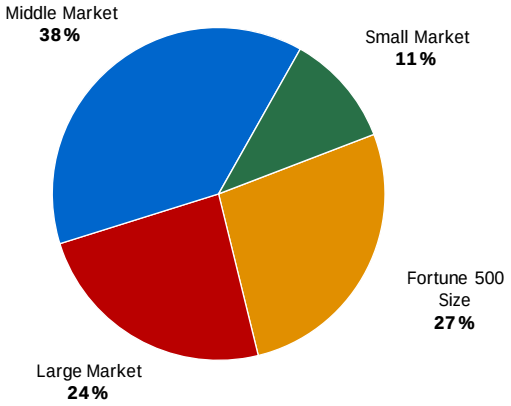


**Exhibit 3**
**Corporate Respondents by Industry**

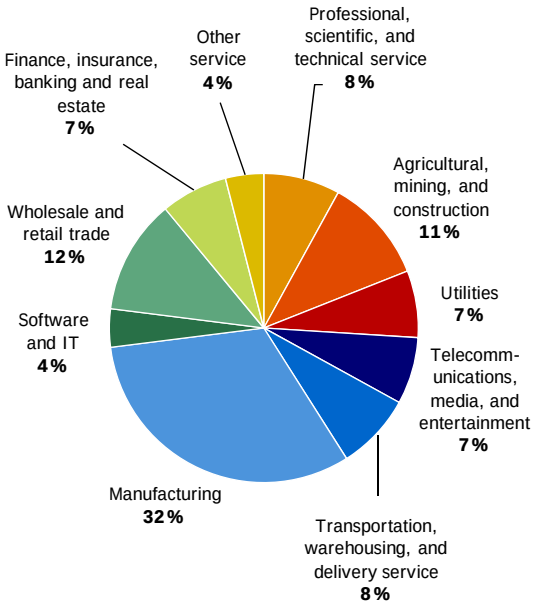
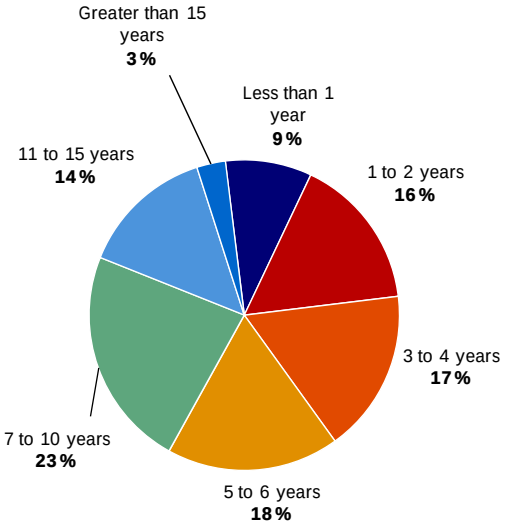



**Exhibit 4**
**Age of Purchasing Card Program**




Corporate respondents represent a wide range of industries. **Exhibit 3** breaks down the corporate respondents by industry using Standard Industrial Classification (SIC) codes. Exhibit 3 shows that the response pool is well-distributed across different industries. Manufacturing is the largest single industry segment, with 32% of Corporate survey participants. No single SIC code within manufacturing dominates this category.

The sample also contains diverse levels of purchasing card program longevity. **Exhibit 4** breaks down the respondent base by the length of time that a purchasing card program has been in place at the organization. It shows that 9% of respondent programs are less than one year old, 16% are between 1 and 2 years old, 17% are between 3 and 4 years old, 18% are between 5 and 6 years old, 23% are between 7 and 10 years old, 14% are between 11 and 15 years old, and 3% of the programs are more than 15 years old.

## Types and Definitions of Card Accounts

Purchasing cards are a flexible and evolving technology with numerous manifestations and applications in the market. For purposes of this survey, we identify and ask respondents about four types of purchasing cards, as follows:

(1) ***The traditional plastic card.*** The most common application of purchasing card technology is a plastic card given to employees to buy goods and services.

(2) ***Ghost card accounts.*** For purposes of this survey, we define ghost card accounts as "a purchasing card account number held in trust by a vendor who charges to the account at the buyer's instruction." Ghost card accounts may exist in other forms and/or be defined in different ways in the market, including account numbers held by the end user, rather than the vendor, and used to pay invoices. Our survey classification of ghost card does not include these other forms or definitions of ghost card accounts.

(3) ***Electronic Accounts Payable (EAP).*** A variety of purchasing card account arrangements exist in the marketplace that improve the Accounts Payable process. Our survey used the term electronic account payable (hereafter EAP) to describe "non-plastic card accounts used to pay for invoiced goods and services (whether set up as a rotating pool of card accounts, ghost card accounts funded only to pay invoices from suppliers, or another arrangement similar in purpose)."

(4) ***Other accounts.*** Respondents had an option to identify purchasing card accounts other than (1) through (3) above. The 2009 Survey did not define the meaning of "other accounts." However, respondents identified them as arrangements such as declining balance card accounts, emergency cards, relocation cards, etc.

As shown in **Exhibit 5**, 99.3% of respondent purchasing card programs use traditional plastic cards, a figure that is similar to that reported in 2007. In 2009, 33.3% of respondents utilized "ghost card" accounts, up from 28.8% in 2007. In 2009, 16.1% of respondents indicate use of EAP accounts, up from 12.6% in 2007. In 2009, 6.0% of respondents report "other" types of purchasing card accounts, up from 2.7% in 2007. The trends with respect to use of the different types of card accounts will be analyzed throughout this Report.

**Exhibit 5**
**Types of Purchasing Card Accounts of Respondents**

| Type of Purchasing Card | 2007 % of Respondents with Type of Card | 2009 % of Respondents with Type of Card |
|---|---|---|
| Traditional plastic cards | 99.4% | 99.3% |
| Ghost card accounts | 28.8% | 33.3% |
| Electronic AP cards (EAP) | 12.6% | 16.1% |
| Other cards | 2.7% | 6.0% |

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

02

# Overall Trends in Purchasing Card Spending

- *Background*
- *Past Growth of Purchasing Card Spending*
- *Understanding Past Growth among Corporations*
- *Understanding Past Growth among Government and Not-for-Profit Organizations*
- *Future Growth of Purchasing Card Spending*
- *Understanding Future Growth among Corporations*
- *Understanding Future Growth among Government and Not-for-Profit Organizations*
- *Intersecting Past and Future Growth*
- *Rationale for Past and Future Purchasing Card Growth*
- *Overall North American Purchasing Card Market and the Impact of the Recession*
- *Purchasing Card Spending and the Economy*

# Overall Trends in Purchasing Card Spending

## Background

In 2009, even in the throes of a severe economic downturn in North America, we observed a broad and continuing movement toward increased purchasing card spending, particularly by high performing purchasing card programs. Exhibits in this section show how purchasing card spending has changed over the past two years and how it is expected to grow by 2014.

> Prediction is very difficult, especially about the future.
>
> *Niels Bohr*

## Past Growth of Purchasing Card Spending

Exhibits 6 through 11 show how purchasing card spending has changed in the two year period from 2007 through 2009. A variety of interesting patterns emerge in these exhibits. Specifically, **Exhibit 6** on the next page shows that the majority of respondents (69%) experienced growth, 12% report no change, and 19% report a decline in purchasing card spending in the 2007-2009 time frame.

At a more detailed level, Exhibit 6 shows that a higher percentage of Government and Not-for-Profit organizations (71%) report purchasing card spending growth than Corporations (67%) between 2007-2009. Conversely, a higher percentage of Corporations (22%) report declines in purchasing card spending when compared to Government and Not-for-Profit organizations (17%) between 2007-2009. Thus, the economic downturn that began in 2008 had a larger impact on corporate sector purchasing card spending over the past two years.

**Exhibit 6**
**Type of Change in Purchasing Card Spending between 2007 and 2009, In Total and by Corporations and Government and Not-for-Profit Organizations**

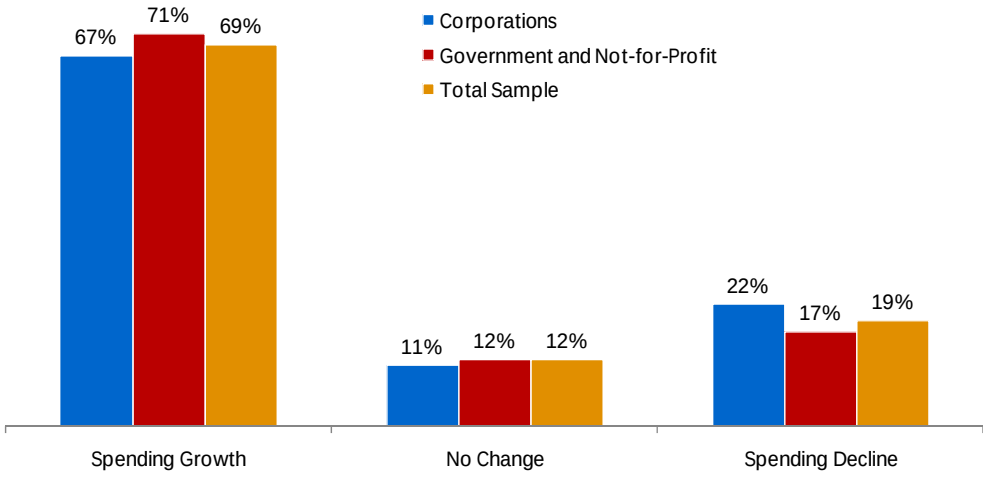



**Exhibit 7** indicates that purchasing card spending has grown by 17.6% (or at about a rate of 8.8% per year) in the two year period from 2007 through 2009. This rate represents a slowdown in North American purchasing card spending growth, which we reported to be 24% between 2005-2007.[2] The overall slowdown in the purchasing card spending growth rate is primarily attributable to changes in the corporate sector, where purchasing card spending growth fell from 27% between 2005-2007 to 14.9% between 2007-2009. By contrast, the purchasing card spending growth rate of the Government and Not-for-Profit segment remained basically unchanged, going from 20% between 2005-2007 to 20.5% between 2007-2009.

**Exhibit 7**
**Average Growth Rates in Purchasing Card Spending, in Total and by Corporations and Government and Not-for-Profit Organizations, 2005-2007 and 2007-2009**

| | Corporate Sector | Government and Not-for-Profit Sector | Total Sample |
|---|---|---|---|
| Total spending change over the two years, 2005-2007 | 27.0% | 20.0% | 24.0% |
| Total spending change over the two years, 2007-2009 | 14.9% | 20.5% | 17.6% |

[2] For details, please see the "2007 Purchasing Card Benchmark Survey Results" RPMG Research Corporation.

## Understanding Past Growth among Corporations

Not all Corporate segments fared equally over the past 2 years. **Exhibit 8** shows that, while purchasing card spending growth was experienced by the majority of all corporations (regardless of size category), a larger percentage of smaller companies experienced spending growth over 2007-2009. Conversely, a higher percentage of larger companies experienced purchasing card spending declines over the past two years.

**Exhibit 8**
**Type of Change in Purchasing Card Spending between 2007-2009, by Corporate Size Category**

| | Fortune 500 Size | Large Market | Middle Market |
|---|---|---|---|
| Spending growth | 62% | 65% | 69% |
| No change | 9% | 12% | 15% |
| Spending decline | 29% | 23% | 16% |

**Exhibit 9** shows that the purchasing card spending growth rate among corporations also differs by size category. The exhibit reveals that the biggest slowdown in purchasing card spending over the past two years occurred in the Fortune 500 Size category, where the growth rate fell by more than half (from 24.0% between 2005-2007 to 9.1% between 2007-2009). Large Market corporations also saw their purchasing card spending growth rate decline from 32.0% between 2005-2007 to 22.9% between 2007-2009. Only Middle Market corporations experienced a higher growth rate between 2007-2009 (44.3%) than between 2005-2007 (34.0%).

**Exhibit 9**
**Average Growth Rates in Purchasing Card Spending between 2005-2007 and 2007-2009, by Corporate Size Category**

| | 2005-2007 Respondent Reported Growth | 2007-2009 Respondent Reported Growth |
|---|---|---|
| Fortune 500 Size corporations | 24.0% | 9.1% |
| Large Market corporations | 32.0% | 22.9% |
| Middle Market corporations | 34.0% | 44.3% |

## Understanding Past Growth among Government and Not-for-Profit Organizations

Like the Corporate segment, the majority of respondents in every type of Government and Not-for-Profit organization report purchasing card spending growth between 2007-2009. Leading the pack, **Exhibit 10** shows that 79% of universities reported purchasing card spending growth over the past two years. Additionally, 75% of school districts, 73% of state agencies, 70% of Not-for-Profit entities, 66% of cities and counties, and 66% of Federal agencies report purchasing card spending growth in the period from 2007 through 2009. Only among Federal government does the percentage of agencies experiencing a decline in purchasing card spending between 2007-2009 exceed 30%. A detailed analysis of U.S. Federal Government purchasing card spending patterns will be included in the Section 21 entitled, "Card Program Performance of Government Organizations."

**Exhibit 10**
**Type of Change in Purchasing Card Spending between 2007 and 2009, by Government and Not-For-Profit Organizations**

| | School Districts | Universities | Cities/ Counties | State Agencies | Federal Agencies# | Not-for-Profit |
|---|---|---|---|---|---|---|
| Spending Growth | 75% | 79% | 66% | 73% | 66% | 70% |
| No Change | 13% | 6% | 15% | 2% | 0% | 17% |
| Spending Decline | 12% | 15% | 19% | 25% | 34% | 13% |

# Based on actual 2007 and 2009 spending data for all Federal government agencies found at GSA website.

**Exhibit 11** on the next page shows that the purchasing card spending growth rate among Government and Not-for-Profit organizations also differs by type of agency. The exhibit shows that slowdowns in the purchasing card spending growth rate in the two year period from 2007 through 2009 occurred among State Agencies (from 15% to 10.3%), Universities (from 23% to 20.3%), and Not-for-Profit organizations (from 31% to 24.7%). By contrast, the purchasing card spending growth rate among School Districts accelerated, going from 22% between 2005-2007 to 26.7% between 2007-2009. Finally, the purchasing card spending growth rate remained basically unchanged for both Federal government agencies and cities and counties.

**Exhibit 11**
**Average Growth Rates in Purchasing Card Spending between 2005-2007 and 2007-2009, by Government and Not-for-Profit Organizations**

| | 2005-2007 Respondent Reported Growth | 2007-2009 Respondent Reported Growth |
|---|---|---|
| School districts | 22.0% | 26.7% |
| Universities | 23.0% | 20.2% |
| Cities/counties agencies | 22.0% | 22.9% |
| States and State agencies | 15.0% | 10.3% |
| Federal agencies | 7.0% | 7.0% |
| Not-for-Profit organizations | 31.0% | 24.7% |

## Future Growth of Purchasing Card Spending

Going forward, 78% of all respondents expect increases in purchasing card spending over the three year period from 2009 through 2012. Overall, only 13% of respondents expect no change and 9% expect a decline in purchasing card spending between 2009-2012. At a more detailed level, **Exhibit 12** indicates that 76% of Governmental and Not-for-Profit organizations and 82% of corporations expect higher levels of purchasing card spending in 2012 than that experienced in 2009. Thus, it appears that Corporate sector is expecting a greater positive impact of economic recovery on purchasing card spending over 2009-2012.

**Exhibit 12**
**Type of Change Expected in Purchasing Card Spending by 2012, in Total and by Corporations and Government and Not-for-Profit Organizations**

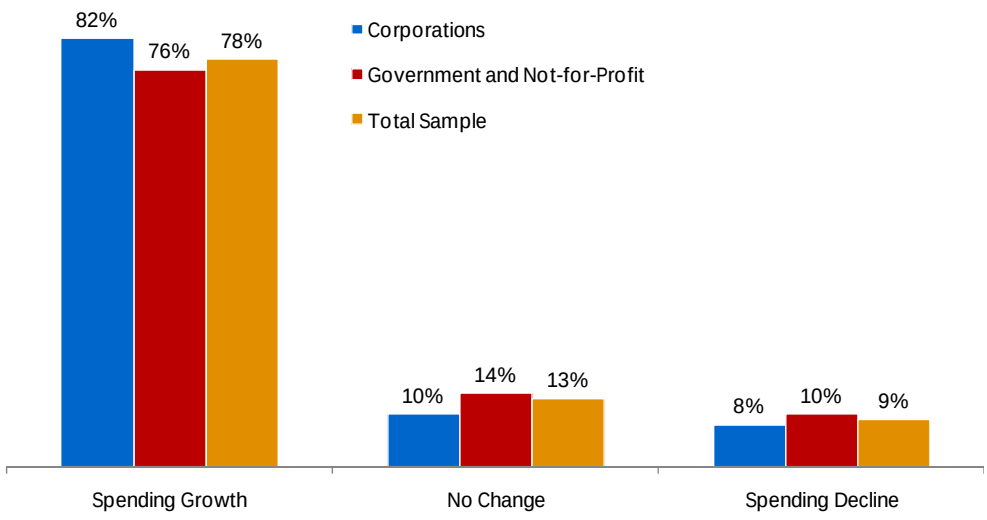


**Exhibit 13** shows that, across all respondents, purchasing card spending expected to increase over the 2009 base year by 9.1% in 2010, 32.3% by 2012, and 58.3% by 2014. It is noteworthy that while purchasing card spending growth over the past two years has been higher among Government and Not-for-Profit organizations (20.5%) than Corporations (14.9%), future growth over 2009 spending levels is expected to be higher in the Corporate sector in 2010 (10% versus 8%) and cumulatively by 2012 (38% versus 28%) and by 2014 (68% versus 53%).

**Exhibit 13**
**Expected Growth Rates in Purchasing Card Spending by 2010, 2012, and 2014; in Total and by Corporations and Government and Not-for-Profit Organizations**

| | Corporate Sector | Government and Not-for-Profit Sector | Total Sample |
|---|---|---|---|
| Total spending change expected in 2010 | 10% | 8% | 9.1% |
| Total spending change expected over the three years, 2009-2012 | 38% | 28% | 32.3% |
| Total spending change expected over the five years, 2009-2014 | 68% | 53% | 58.3% |

## Understanding Future Growth among Corporations

The vast majority of corporations regardless of size category expect purchasing card spending to increase by 2012. **Exhibit 14** shows that 87%, 86%, and 81% of Fortune 500 Size, Large Market, and Middle Market corporations, respectively, expect purchasing card spending to increase by 2012. Another 9%, 11%, and 12% of Fortune 500 Size, Large Market, and Middle Market corporations, respectively, expect no change purchasing card spending by 2012. Only a small group of respondents within any Corporate size category expects purchasing card spending to decline by 2012.

**Exhibit 14**
**Type of Change Expected in Purchasing Card Spending by 2012, by Corporate Size Category**

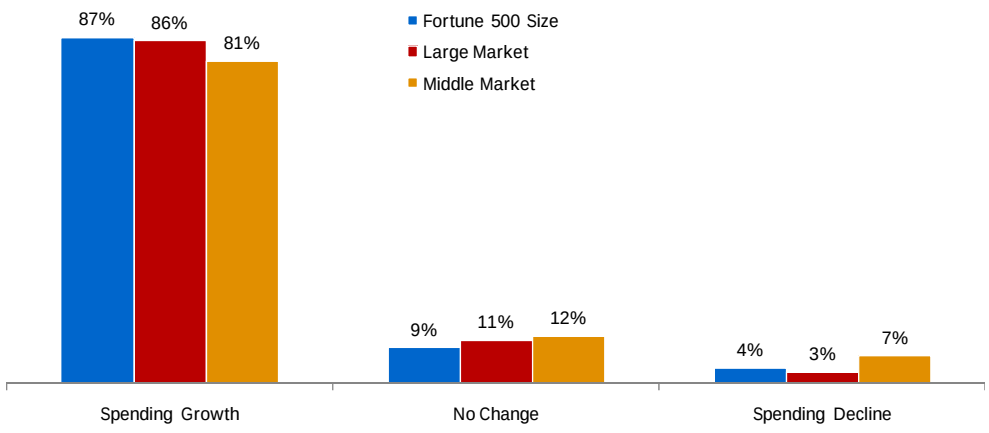



**Exhibit 15** on the next page shows that the expected purchasing card spending growth rate is similar among corporations of different sizes in 2010 but diverges over 3 and 5 years. In 2010, Fortune 500 Size, Large Market, and Middle Market corporations expect purchasing card spending to increase by 10%, 10%, and 11%, respectively. The 2010 growth rate represents a significant increase for Fortune 500 Size companies (which grew at an average annual rate of 4.5% in 2007-2009), a slight decrease for Large Market corporations (which grew at an average annual rate of 11.5% in 2007-2009), and a significant decrease for Middle Market corporations (which grew at an average annual rate of 22.1% between 2007-2009). By 2012, there is a divergence in expected growth rates—with Large and Middle Market corporations expecting 2012 purchasing card spending to be 42% and 41% higher than 2009 levels, while Fortune 500 Size corporations expect it to be 36% above the 2009 level. By 2014, the gap grows wider, with Large and Middle Market corporations expecting purchasing card spending to be 76% and 72% above 2009 levels, respectively, while Fortune 500 Size corporations expect it to be 64% higher.

**Exhibit 15**
**Expected Growth Rates in Purchasing Card Spending by 2010, 2012, and 2014, by Corporate Size Category**

| | Fortune 500 Size | Large Market | Middle Market |
|---|---|---|---|
| Total spending change expected in 2010 | 10% | 10% | 11% |
| Total spending change expected over the three years, 2009-2012 | 36% | 42% | 41% |
| Total spending change expected over the five years, 2009-2014 | 64% | 76% | 72% |

## Understanding Future Growth among Government and Not-for-Profit Organizations

As shown in Exhibit 12, 76% of Government and Not-for-Profit organizations expect purchasing card spending to increase by 2012. **Exhibit 16** shows that expectations of purchasing card spending increases vary by type of government and not-for-profit organization. For example, 100% of Federal government but only 68% of State government agencies expect purchasing card spending increases by 2012. Exhibit 16 indicates that 84%, 77%, 73%, and 70% of Not-for-Profit entities, Universities, Cities and Counties, and School Districts, respectively, expect p- card spending to increase by 2012.

**Exhibit 16**
**Type of Change Expected in Purchasing Card Spending by 2012, by Government and Not-for-Profit Organizations**

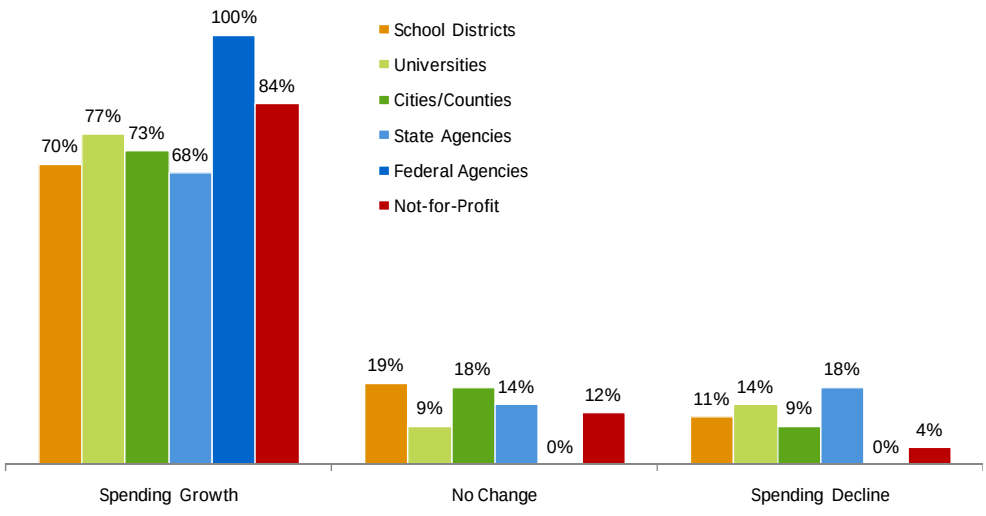


**Exhibit 17** shows that the expected purchasing card spending growth rate in Government and Not-for-Profit organizations is generally lower than its Corporate counterparts. Federal agencies and Not-for-Profit organizations expect large increases in purchasing card spending in 2010 (14% and 12%, respectively). However, Federal agencies expect their purchasing card spending growth rate to decline over time, to wit: the average purchasing card spending growth rate at Federal agencies over the next three years is 10.7% per year (the cumulative change of 32% divided by 3 years) and over the next five years is 9.4% (the cumulative change of 47% divided by 5 years).

School districts, Universities, Cities and Counties, and State agencies are remarkably similar in their expectation of purchasing card spending growth by 2012 and 2014. All of these agencies expect purchasing card spending to increase cumulatively by 21% to 23% by 2012 and 43% to 47% by 2014. Expectations of 2010 spending growth are lowest among State agencies and Cities and Counties at 2% and 3%, respectively.

**Exhibit 17**
**Expected Growth Rates in Purchasing Card Spending by 2010, 2012, and 2014, by Government and Not-for-Profit Organizations**

| | School Districts | Universities | Cities/ Counties | State Agencies | Federal Agencies# | Not-for-Profit |
|---|---|---|---|---|---|---|
| Total spending change expected in 2010 | 5% | 7% | 3% | 2% | 14% | 12% |
| Total spending change expected over the three years, 2009-2012 | 21% | 23% | 23% | 23% | 32% | 37% |
| Total spending change expected over the five years, 2009-2014 | 47% | 44% | 46% | 43% | 47% | 66% |

## Intersecting Past and Future Growth

It is worthwhile to examine the intersection of past and future growth patterns of respondents. **Exhibit 18** on the next page shows that about 54% of all respondents who experienced purchasing card spending growth from 2007 through 2009 expect continued growth from 2009 through 2012. Furthermore, the vast majority of respondents that saw purchasing card spending decline or stay flat in 2007-2009 are expecting purchasing card spending growth between 2009-2012, thus indicating that past reductions in purchasing card use are not attributable to any systemic decline in the card value proposition. Given the economic turmoil of the past two years and the uncertainty about the future economic climate, this is a strong affirmation of the purchasing card value proposition.

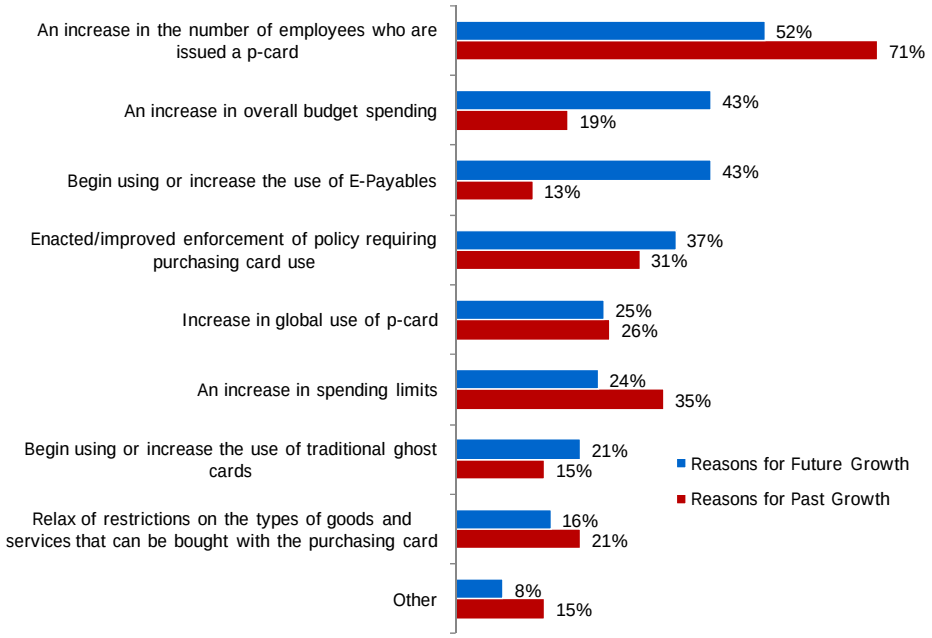
**Exhibit 18**
**Relationship between Past and Future Purchasing Card Spending Growth and Decline**

| Past 2 Years (2007-2009) | Expected 3 Years Out (2009-2012) | Corporate Sector | Government and Not-for-Profit Sector | Total Sample |
|---|---|---|---|---|
| Grew | Growth | 55% | 54% | 54% |
| Grew | No Change | 7% | 10% | 9% |
| Grew | Decline | 5% | 7% | 6% |
| No Change | Growth | 9% | 9% | 9% |
| No Change | No Change | 1% | 2% | 2% |
| No Change | Decline | 1% | 1% | 1% |
| Declined | Growth | 18% | 13% | 15% |
| Declined | No Change | 2% | 2% | 2% |
| Declined | Decline | 2% | 2% | 2% |

## Rationale for Past and Future Purchasing Card Growth

**Exhibit 19** on the next page shows the reasons identified by respondents for both past growth and projected increases in purchasing card spending. This exhibit indicates one dominant driver for purchasing card spending growth over the past two years: the increased distribution of cards to employees (71%). Other drivers of purchasing card spending growth over the past two years include an increase in purchasing card spending limits (35%) and improved enforcement of policies requiring purchasing card use (31%). The most oft-cited reasons for expected purchasing card spending growth over the next five years are increased distribution of cards to employees (52%), an increase in overall organization budget (43%), and the initiation or increase in the use of E-payables (43%). An increase in global use of purchasing cards is also frequently cited as a reason for past and future growth in card spending. Of those organizations that experienced a decline in purchasing card spending during 2007-2009, an overwhelming majority (83%) cited a “decrease in the overall budget” as the root cause.

**Exhibit 19**
**Reasons for Past and Expected Future Increases in Purchasing Card Spending**




## Overall North American Purchasing Card Market and the Impact of the Recession

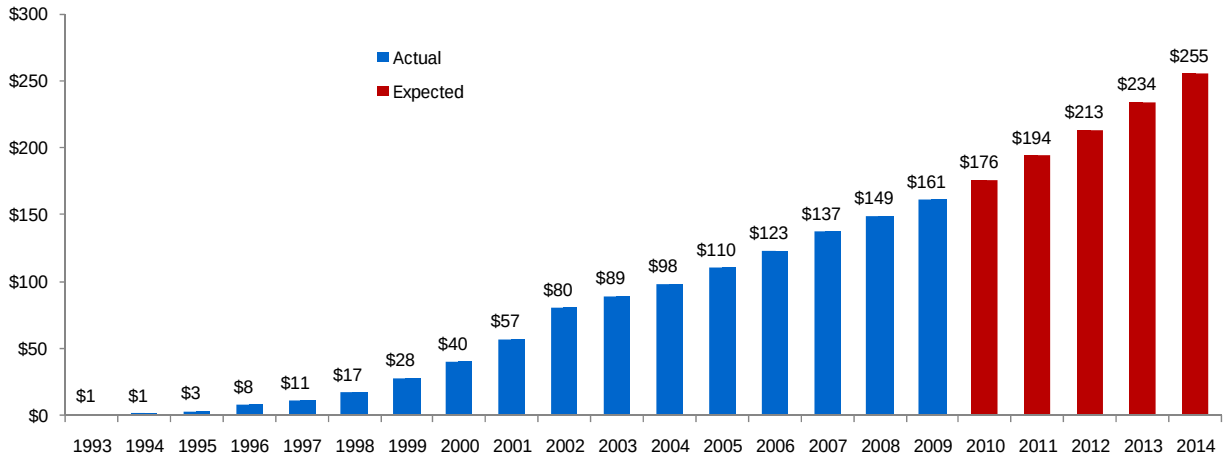
**Exhibit 20** on the next page shows the actual and estimated North American purchasing card market size from 1993 through 2014. Overall, purchasing card spending growth has been and continues to be strong. On the basis of our analysis, we estimate the annual purchasing card spending in North America to be about $161 billion in 2009, which is $12 billion less than our 2007 prediction of $173 billion by the year 2009.[3] Undoubtedly, this drop in projected spending is a casualty of the economic downturn that began in 2008 and still lingers across the North American economy. However, it is useful to note that in spite of the economic turmoil, the purchasing card spending grew over the past two years, though at a slower pace than in the past. Looking forward, respondents seem to be poised to make up for the past slowdown of growth in purchasing card spending.

Specifically, the rate of growth expected by respondents between 2009 and 2014 is higher (about 11.6% per year on average) than that reported by respondents between 2007 and 2009 (about 8.8% per year). As a consequence, it appears that respondents are on the path to make up for lost ground in purchasing card spending. In 2007, we

[3] Additional details of earlier projections can be found in the "2007 Purchasing Card Benchmark Survey Results" RPMG Research Corporation.

predicted that the overall North American market would reach $218 billion by 2012. On the basis of current responses, our projection for 2012 is $213 billion. The gap between future spending predicted in 2007 and our revised spending projection is expected to grow smaller as the economy rebounds. By 2014, purchasing card spending in North America is expected to be $255 billion. In sum, respondent projections of future spending indicate that purchasing card spending will grow at a robust rate over the next five years. However, the rate of growth may change for many reasons including major changes in the economic environment, expanded and higher dollar uses for purchasing cards, and further penetration of electronic variations of purchasing cards into organizational purchasing practices.

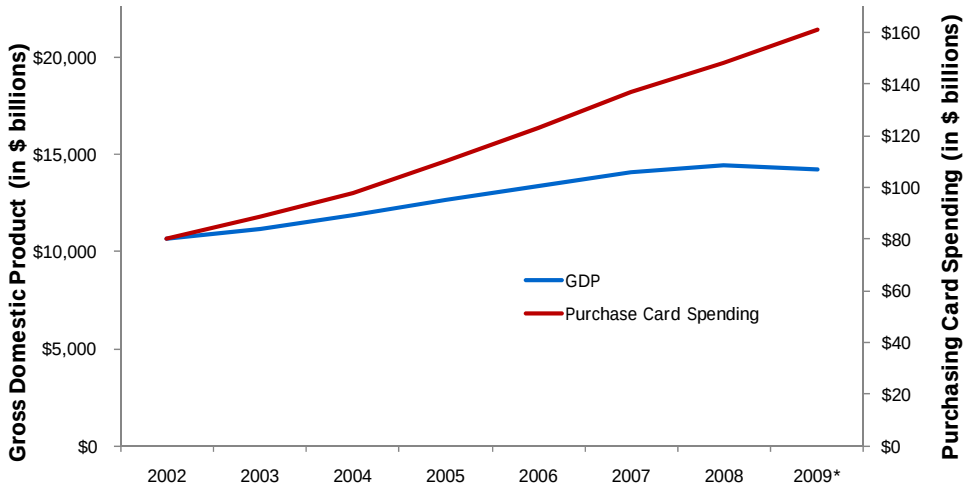
**Exhibit 20**
**Purchasing Card Spending in North America (in $ billions)**



## Purchasing Card Spending and the Economy

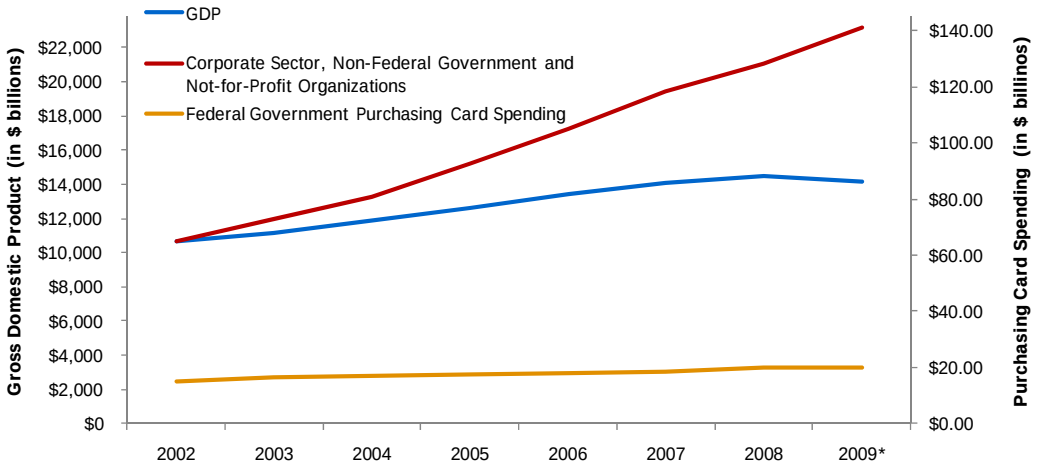
**Exhibit 21** contrasts purchasing card spending in North America to U.S. gross domestic product (GDP). As shown in the Exhibit, purchasing card spending has grown almost three times as fast as GDP. While GDP has increased 33% from 2002-2009 (going from $10.6 trillion to $14.2 trillion), purchasing card spending has increased 103%in the same time period (going from $80 billion to $161 billion). Most impressive is the fact that even though GDP has been flat or declining since 2008, purchasing card spending has continued an upward movement. This appears to be a vote of confidence in the role card technology is playing in all types of organizations, including business and government.

**Exhibit 21**
**Changes in Purchasing Card Spending (in $ billions) Compared to Changes in GDP (in $ billions) over 2002-2009**




While the overall market for purchasing card spending has grown at a rate nearly 3 times as fast as U.S. GDP, not every market segment is as positive. **Exhibit 22** on the next page shows both purchasing card spending since 2002 of U.S. Federal Government agencies and all other purchasing card users (including other governmental, not-for-profit and corporate entities). The U.S. Government, the world's largest purchasing card program, went from $15.2 billion in 2002 to $20 billion of purchasing card spending in 2009, a 31% increase, mirroring the rate of change in GDP over this time period. The purchasing card spending of all other organizations in the same time period grew by over 100%.

**Exhibit 22**
**Changes in Corporate Sector, Non-Federal Government and Not-for-Profit Organizations and Federal Government Purchasing Card Spending (in $ billions) Compared to Changes in GDP (in $ billions) over 2002-2009**




* Purchasing card spending data for the Federal Government in 2009 is projected based on the spending data for the first three quarters of 2009.

## Conclusion

The rate of purchasing card growth has been consistent and positive since its emergence as a tool to improve the efficiency of the procure-to-pay process in organizations in the late 1980's. Across the entire sample, 69% of respondents report increased purchasing card spending over the past two years whereas 19% report a decline. Average organizational purchasing card spending increased 17.6% in the two year period from 2007 through 2009, which represents a modest decline in the North American purchasing card spending growth rate of 24% between 2005-2007. The overall decline in the purchasing card spending growth rate is primarily attributable to changes in the Corporate sector, where growth fell from 27% between 2005-2007 to 14.9% between 2007-2009. By contrast, the purchasing card spending growth rate within the Government and Not-for-Profit segment remained basically unchanged, going from 20.0% between 2005-2007 to 20.5% between 2007-09. Among Corporations, the greatest slowdown in purchasing card spending growth occurred in the Fortune 500 Size category, where the 2007-2009 growth rate fell by more than half from that reported for the 2005-2007 time frame (from 24.0% to 9.1%). Large Market corporations also saw their purchasing card spending growth rate decline from 32% between 2005-2007 to 22.9% between 2007-2009. Only Middle Market corporations experienced a higher growth rate between 2007-2009 (44.3%) than between 2005-2007 (34.0%).

Going forward, about 78% of respondents expect increase in purchasing card spending over the next three years. Average organizational purchasing card spending is expected to increase by 9.1% in 2010, 32.3% by 2012, and 58.3% by 2014. The expected growth rate over the next three years is higher among Corporations (38%) than Government and

Not-for-Profit organizations (28%). The most oft-cited drivers of expected purchasing card spending growth over the next five years are expected increases in the distribution of cards to employees, expected increases in the organization's overall budget, and the initiation or increase in the use of e-payables card accounts.

In sum, purchasing card spending growth continues to be robust, notwithstanding economic turmoil in the market. Purchasing card spending has grown almost three times as fast as overall U.S. GDP over the last seven years. While GDP has increase 33% over 2002-2009, purchasing card spending has increased 103%. Most impressive is the fact that even though GDP has been flat or declining since 2008, purchasing card spending has continued an upward movement. This appears to be a strong vote of confidence in the role card technology is playing in business and government. Annual purchasing card spending is expected to increase to $176 billion in 2010, $213 billion by 2012, and $255 billion by 2014.

03

# Spending Norms, Transaction Capture, and Purchasing Behavior

- *2009 Purchasing Card Spending*
- *Sample-Adjusted Purchasing Card Spending Trends, 1998-2009*
- *Sample-Adjusted Organizational Performance Measures*
- *Sample-Adjusted Cardholder Spending Statistics*
- *Card Capture of Transactions of Upward Potential*
- *Capture by Type of Organization*
- *What and How Much is Being Bought with Purchasing Cards?*
- *Goods Purchases: A Closer Look*
- *Services: A Closer Look*
- *Spending by Mode of Purchase*

# Spending Norms, Transaction Capture, and Purchasing Behavior

As noted in the previous chapters, we observe a continuing upward movement in purchasing card spending notwithstanding a challenging economic environment. This chapter examines overall spending and the low-value transaction capture norms of respondents. In addition, we examine the types of goods and services bought with purchasing cards and how the goods are purchased.

## 2009 Purchasing Card Spending

**Exhibit 23** shows key purchasing card usage statistics such as mean and median organizational spending as well as cardholder-specific measures of card penetration (e.g., transactions per card, spending per transaction, and spending per card) for all respondents to the 2009 survey. Exhibit 23 reveals that the average monthly purchasing card spending of respondents is $1.3 million, driven by average monthly spending per card of $1,817 (about 6 monthly transaction at an average transaction amount of $302). Further, on average, 9.8% of employees hold purchasing cards, of which 81% remain active in a typical month.

**Exhibit 23**
**Key Purchasing Card Usage Statistics**[4]
*(all numbers are averages except where indicated otherwise)*

| | 2009 |
|---|---|
| Number of employees | 7,230 |
| Monthly p-card spending | $1,289,709 |
| Median monthly spending | $350,000 |
| Monthly spending per card | $1,817 |
| Monthly transactions per card | 6.03 |
| Spending per transaction | $302 |
| P-card-to-employee ratio | 9.8% |
| Monthly p-card spending per employee | $178 |
| Active p-cards in a typical month | 81% |
| Transactions under $2,500 placed on p-card | 44% |
| Transactions between $2,500 and $10,000 placed on p-card | 26% |

[4] The "cardholder activity measures" in this report represent the result of dividing total purchasing card spending (on all card types) by the number of plastic cards in the organization unless mentioned otherwise. A detailed breakout of spending on each card type is shown later in this Report. Further all figures and exhibits in this Report exclude organizations with less than $25 million in annual sales revenue (or budget in the case of Government and Not-for-Profit entities). Information about organizations with $25 million or less in revenue or budget is shown in the section entitled "Card Program Performance of Small Organizations" later in this report.

Organizations continue to steadily increase their capture of low-value transactions with purchasing cards. In fact, respondents (on average) paid for 44% of their under $2,500 transactions and 26% of their transactions for amounts between $2,500 and $10,000 with a purchasing card.

## Sample-Adjusted Purchasing Card Spending Trends, 1998-2009

Comparisons of 2009 purchasing card spending to spending reported in our previous surveys requires adjustments to align the 2009 sample composition to agree with that found in our prior surveys. For example, in 2007, 56% of respondent were Corporations, 11% were Universities, 11% were City or County governmental units, 6% were Federal or State government agencies, 7% were School Districts, and 9% were Not-for-Profit organizations. In 2009, the sample response base is larger (1,915 versus 1,238 responses) and includes a higher proportion of Government and Not-for-Profit organizations. In 2009, 47% of respondents are Corporations, 11% are Universities, 16% are Cities or Counties, 6% are Federal or State government agencies, 11% are School Districts, and 9% are Not-for-Profit organizations. Within the Corporation segment, the percentage of Fortune 500 Size companies (29% in 2007 versus 27% in 2009), Large Market corporations (20% in 2007 versus 24% in 2009), and Middle Market corporations (36% in 2007 versus 38% in 2009) were modestly different.

To compare the trends in purchasing card spending over time, we adjusted the 2009 sample composition to agree with the 2007 sample composition with respect to the percentage of respondents in every category (by, for example, randomly removing responses in the School District and City/County categories). **Exhibit 24** on the next page summarizes key purchasing card program performance and cardholder activity measures of the sample-adjusted 2009 response pool to the responses to our Survey in 2001, 2003, 2005, and 2007. Exhibit 24 reveals that the average monthly purchasing card spending of respondents grew from $1.6 million in 2007 to $1.8 million per month in 2009. Median monthly purchasing card spending went from $400,000 to $470,789 in the same time frame. Increases are also observed in

- the card-to-employee ratio (from 9.3% in 2007 to 10.7% in 2009),
- monthly purchasing card spending per employee (from $190 in 2007 to $220 in 2009),
- monthly spending per card (from $2,037 in 2007 to $2,062 in 2009), and
- the percentage of under $2,500 transactions paid by purchasing card (from 37% to 44%) and the percentage of $2,500 to $10,000 transactions paid by purchasng card (from 19% in 2007 to 28% in 2009).

**Exhibit 24**
**Trends in Purchasing Card Usage Statistics: Respondents to 2001, 2003, 2005, 2007, and 2009 Benchmark Surveys**

*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 7,804 | 8,734 | 8,612 | 8,571 | 8,256 |
| **Program Performance Measures** | | | | | |
| Number of plastic purchasing cards | 769 | 1,035 | 718 | 870 | 881 |
| Card-to-employee ratio | 9.9% | 11.9% | 7.9% | 9.3% | 10.7% |
| Average monthly p-card spending | $807,416 | $1,062,329 | $1,317,606 | $1,627,608 | $1,816,289 |
| Median monthly p-card spending | $197,500 | $253,634 | $272,611 | $400,000 | $470,789 |
| Transactions under $2,500 placed on p-card | N/A | 31% | 33% | 37% | 44% |
| Transactions between $2,500 and $10,000 placed on p-card | N/A | 9% | 15% | 19% | 28% |
| Monthly spending per employee | $104 | $119 | $156 | $190 | $220 |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 4.63 | 5.25 | 7.52 | 7.24 | 6.54 |
| Spending per transaction | $228 | $195 | $264 | $281 | $315 |
| Monthly spending per card | $1,053 | $1,026 | $1,978 | $2,037 | $2,062 |
| Active cards in a typical month | 80% | 77% | 79% | 83% | 82% |

"Innovation is the central issue to economic prosperity."

*Michael Porter*

Exhibits 25(a) to 25(c) graphically compares the key organizational performance measures shown in Exhibit 24 against similar measures reported in our previous surveys conducted in 1998, 2001, 2003, 2005, and 2007. Exhibits 26(a) to 26(c) on the next page graphically compares cardholder activity measures against similar measures reported in our previous surveys conducted in 1998, 2001, 2003, 2005, and 2007.

**Exhibit 25(a)**
**Key Organizational Performance Measures:**
***Average Monthly Spending, 1998-2009***

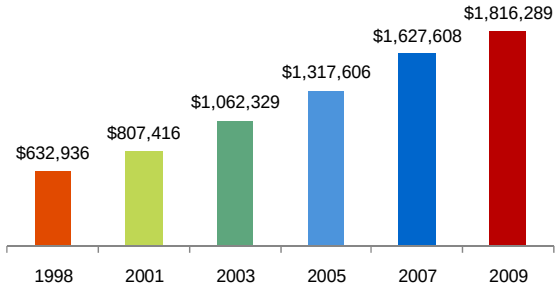



**Exhibit 25(b)**
**Key Organizational Performance Measures:**
***Monthly Purchasing Card Spending per Employee, 1998-2009***

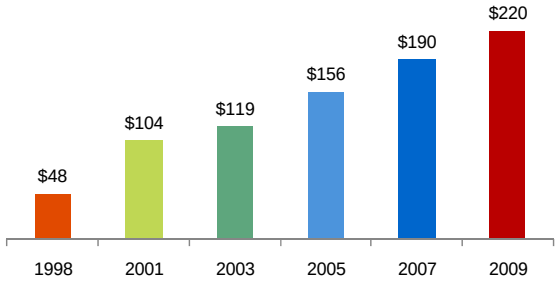
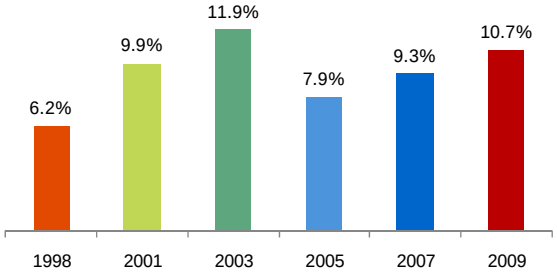



**Exhibit 25(c)**
**Key Organizational Performance Measures:**
***P-Card-to-Employee Ratio, 1998-2009***




## Sample-Adjusted Organizational Performance Measures

**Exhibits 25(a), 25(b), and 25(c)** provide a perspective on purchasing card program growth since 1998.[5] At the organizational level, average purchasing card spending has risen steadily from $633 thousand in 1998 to $1.8 million in 2009, as indicated by Exhibit 25(a). Another measure of the penetration of purchasing cards into the fabric of organizational purchasing activity is the amount of purchasing card spending conducted per employee. Exhibit 25(b) indicates that monthly purchasing card spending per employee has steadily risen from $48 in 1998 to $220 in 2009.

Finally, a key aspect of any purchasing card program is access to a purchasing card on which to charge goods and services. In our previous surveys, we found that the plastic purchasing card to-employee percentage had fallen from 11.9% in 2003 to 7.9% in 2005. Since then, card distribution has risen to 9.3% in 2007 and, again, to 10.7% in 2009. The impact of card distribution on purchasing card program performance will be examined more closely in a later section entitled, "Best Practice: Card Distribution and Card Account Types."

[5] Current and previous data have been adjusted to match the composition of sample respondents.

## Sample-Adjusted Cardholder Spending Statistics

Compared to the large changes in organizational performance measures, spending at the cardholder level experienced only modest change since 2007. As shown in **Exhibit 26(a)**, the average dollar amount spent per transaction is up from $264 in 2005 to $281 in 2007 to $315 in 2009. This upward tick in spending per transaction is offset by a reduction in monthly transactions per card (falling from 7.24 in 2007 to 6.54 in 2009) as shown in **Exhibit 26(b)**. The decrease in transactions per card is, in part, a reflection of the fact that purchase card distribution has been increasing (see Exhibit 25(c)). At some point for organizations that are expanding card use, cards are distributed to employees who have less need for them. Finally, monthly spending per purchasing card is essentially flat ($2,037 in 2007 and $2,062 in 2009) as presented in **Exhibit 26(c)**.

**Exhibit 26(a)**
**Key Cardholder Performance Measures:**
***Spending per Transaction, 1998-2009***

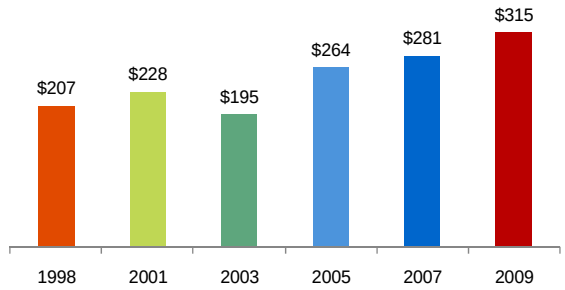



**Exhibit 26(b)**
**Key Cardholder Performance Measures:**
***Monthly Transactions per Purchasing Card, 1998-2009***

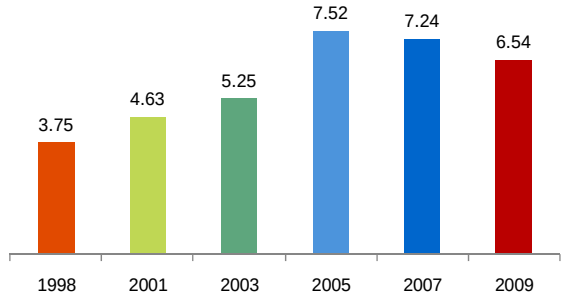
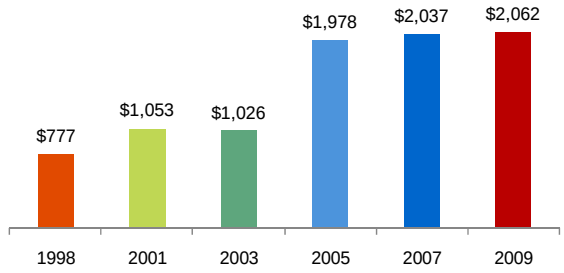



**Exhibit 26(c)**
**Key Cardholder Performance Measures:**
***Monthly Spending per Purchasing Card, 1998-2009***




> "The great thing in the world is not so much where we stand, as in what direction we are moving."
>
> *Oliver Wendell Holmes*

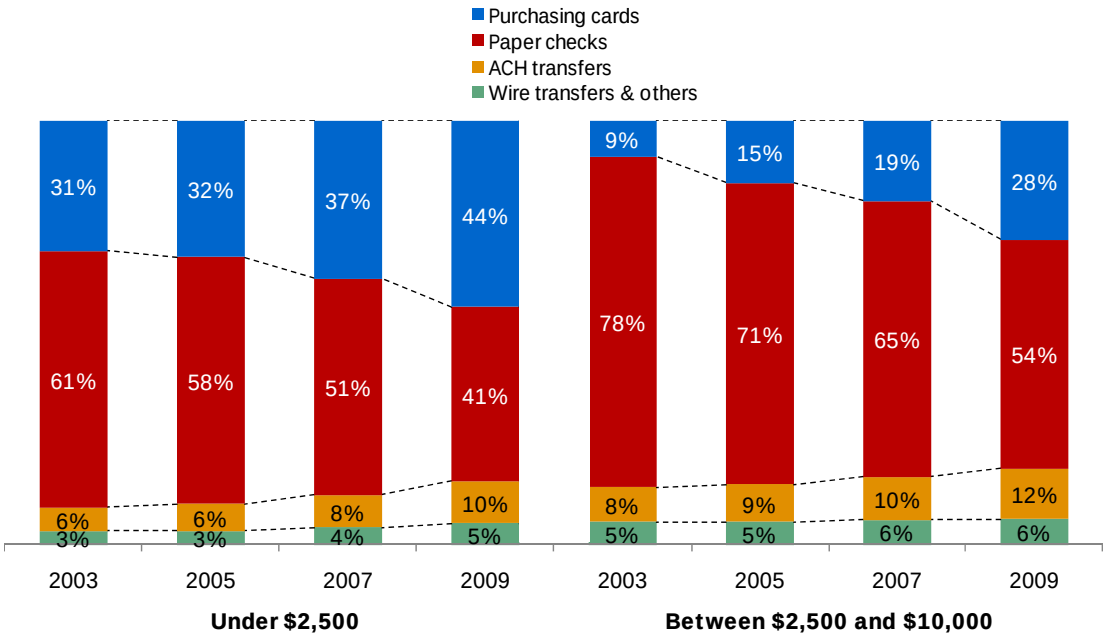
## Card Capture of Transactions of Upward Potential

Organizations have steadily increased their capture of low-value transactions with purchasing cards since 2003. Using the 2009 sample that we adjusted to agree with the 2007 sample composition, **Exhibit 27** shows that in 2009, respondents (on average) report paying for 44% of their under $2,500 transactions with the purchasing card, up from 37% in 2007, 32% in 2005, and 31% (of under $2,000 transaction activity) in 2003.

Further, use of purchasing cards for "higher ticket" goods and services continues to grow. Exhibit 27 shows that in 2009, respondents (on average) report paying for 28% of their $2,500 to $10,000 transactions with a purchasing card, up from 19% in 2007, 15% in 2005 and 9% of $2,000 to $10,000 transactions in 2003.

It is noteworthy that, both for transactions of less than $2,500 and for transactions between $2,500 to $10,000, the percentage of payments by paper check for low-value transactions continues to decline, while ACH and purchasing card-based payments continue to increase. This pattern reflects a larger shift away from paper payments, with the purchasing card as the primary substitute for payment.

**Exhibit 27**
**Payment for Transactions by Payment Mode and Dollar Value, 2003-2009***




*In 2003, the capture categories included "under $2,000" and "between $2,000 and $10,000"

Exhibit 27 also provides important insight into the potential of purchasing cards in the marketplace. The average organization has the potential to more than double its capture of under $2,500 transactions (44% of which are now paid by purchasing card). Further, the average organization can increase by almost four-fold the number of $2,500 to $10,000 transaction paid by purchasing card (28% of which are now paid by purchasing card). While the latter category of transactions tends to be fewer in number, it has a more dramatic impact on total organizational purchasing card spending. An analysis we conducted in 2007 showed that a 1% increase in purchasing card capture of $2,500 to $10,000 transaction traffic has double the dollar impact on total purchasing card spending as a 1% increase in under $2,500 transaction.

## Capture by Type of Organization

**Exhibits 28(a)** and **28(b)** on the next page indicate that larger corporations pay for a higher percentage of both under $2,500 and $2,500 to $10,000 transactions via electronic mechanisms such as purchasing cards or Automated Clearing House (ACH). For example, Fortune 500 Size and Large Market companies pay for 43% of under $2,500 transactions with purchasing cards (including plastic, ghost, and EAP accounts); by contrast, Middle Market companies pay for 38% of under $2,500 transactions using purchasing cards. A corresponding difference is found with respect to $2,500 to $10,000 transactions, where Fortune 500 Size and Large Market companies pay for 27% and 28% of $2,500 to $10,000 transactions with purchasing cards, respectively; by contrast, Middle Market companies pay for 25% of $2,500 to $10,000 transactions with purchasing cards. Fortune 500 Size companies also pay for a higher percentage of transactions via ACH. Specifically, Fortune 500 Size companies paid for 18% of under $2,500 and 21% of $2,500 to $10,000 transactions via ACH. By contrast, Large and Middle Market companies used ACH to pay for 10% (8%) of under $2,500 transactions and 14% (10%) of $2,500 to $10,000 transactions.

The net effect of the expanded use of electronic payment technology is a decline in the use of paper checks, most notably among Fortune 500 Size companies. Fortune 500 Size companies pay for 34% of under $2,500 transactions and 43% of $2,500 to $10,000 transactions with paper checks. By comparison, Large (Middle) Market companies pay for 44% (52%) of under $2,500 and 51% (62%) of $2,500 to $10,000 transactions by paper check.

The Government and Not-for-Profit entities pay for 48% of under $2,500 and 26% of $2,500 to $10,000 transactions by purchasing cards, higher than any of the three Corporate segments. However, Government and Not-for-Profit organizations are less likely to pay for transactions with other electronic payment tools such as ACH, e-payables cards, or wire transfer, and thus report a relatively high percentage of transactions paid with paper checks.

**Exhibit 28(a)**
**Payment for All $2,500 and Under Transactions by Payment Mode, by Type of Organization in 2009**

| | Fortune 500 Size | Large Market | Middle Market | Government and Not-for-Profit |
|---|---|---|---|---|
| Plastic and traditional ghost p-card accounts | 40% | 38% | 35% | 46% |
| Electronic payables p-card account | 3% | 5% | 3% | 2% |
| Paper check | 34% | 44% | 52% | 42% |
| ACH transfer | 18% | 10% | 8% | 7% |
| Wire transfer | 3% | 3% | 2% | 2% |
| Other | 2% | 0% | 0% | 1% |

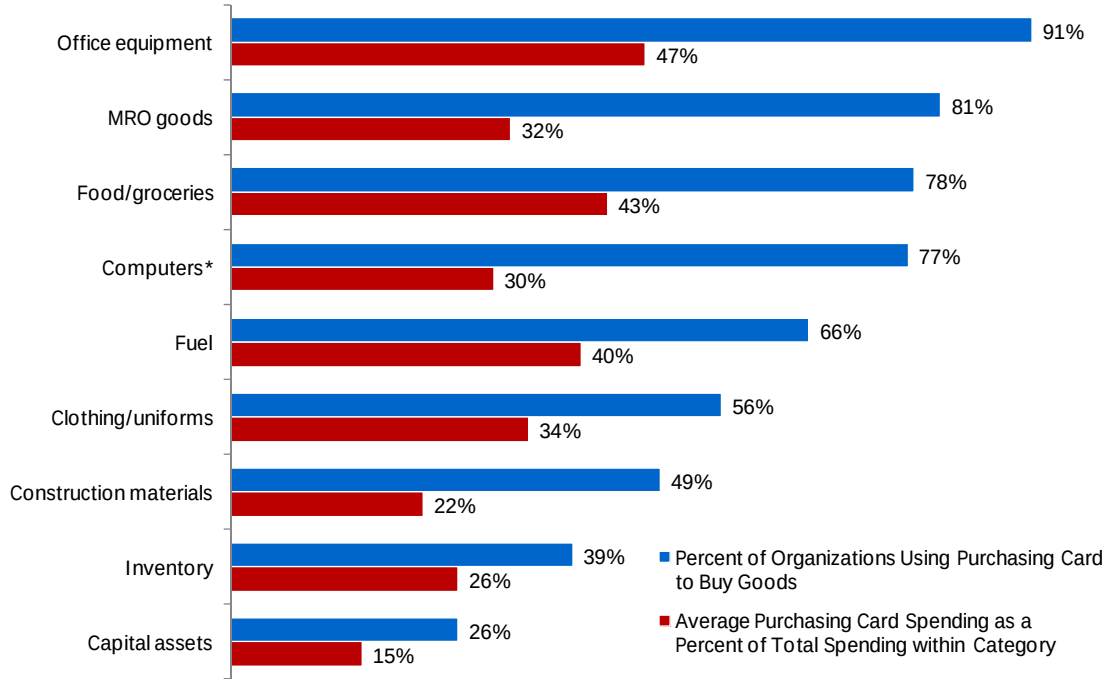
**Exhibit 28(b)**
**Payment for All Over $2,500 but Less Than $10,000 Transactions by Payment Mode, by Type of Organization in 2009**

| | Fortune 500 Size | Large Market | Middle Market | Government and Not-for-Profit |
|---|---|---|---|---|
| Plastic and traditional ghost p-card accounts | 23% | 22% | 22% | 24% |
| Electronic payables p-card account | 4% | 6% | 3% | 2% |
| Paper check | 43% | 51% | 62% | 60% |
| ACH transfer | 21% | 14% | 10% | 9% |
| Wire transfer | 5% | 6% | 3% | 3% |
| Other | 4% | 1% | 0% | 2% |

## What and How Much is Being Bought with Purchasing Cards?

**Exhibits 29(a)** on the next page and Exhibit **29(b)** on the subsequent page present information about (a) the percent of respondents paying for a particular category of goods or services with the purchasing card and (b) purchasing card payment for a goods/services spending category as a percent of total spending for a goods/ services category (for respondents that spend in those categories). As shown in Exhibits 29(a) and 29(b), the majority of respondents use the purchasing card to acquire different types of goods including office equipment (91%), MRO goods (81%), food and groceries (78%), computer hardware, software, and peripherals (77%), fuel (66%), and clothing and uniforms (56%). Less common are purchases of inventory (39%) and capital assets (26%).

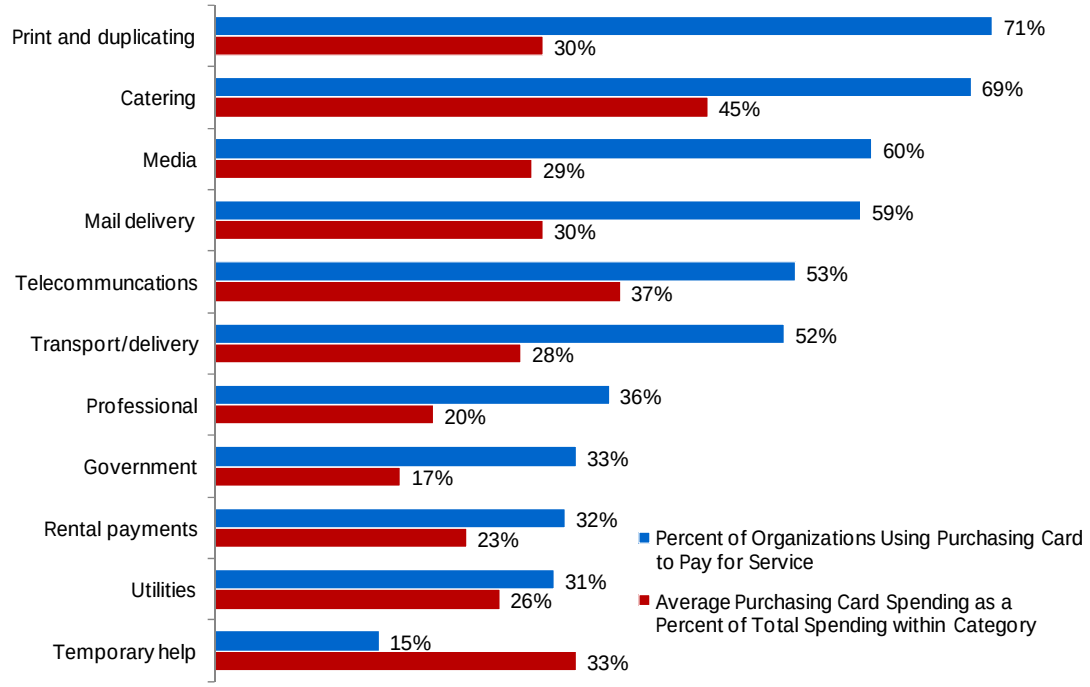
**Exhibit 29(a)**
**Percent of Respondents Using Purchasing Cards to Acquire Specific Goods and Average Purchasing Card Payment as a Percent of Total Spending on the Goods Category (for Respondents Using Purchasing Cards to Buy the Specific Goods)**




* Includes computer hardware, software, and peripherals

Exhibit 29(b) on the next page shows that the majority of the respondents use purchasing cards to pay for print and duplicating (71%), catering (69%), media (60%), mail delivery (59%), telecommunications (53%), and transport/delivery (52%).

**Exhibit 29(b)**
**Percent of Respondents Using Purchasing Card to Acquire Specific Services and Average Purchasing Card Payment as a Percent of Total Spending on the Service Category (for Respondents Using Purchasing Cards to Pay for the Specific Service)***

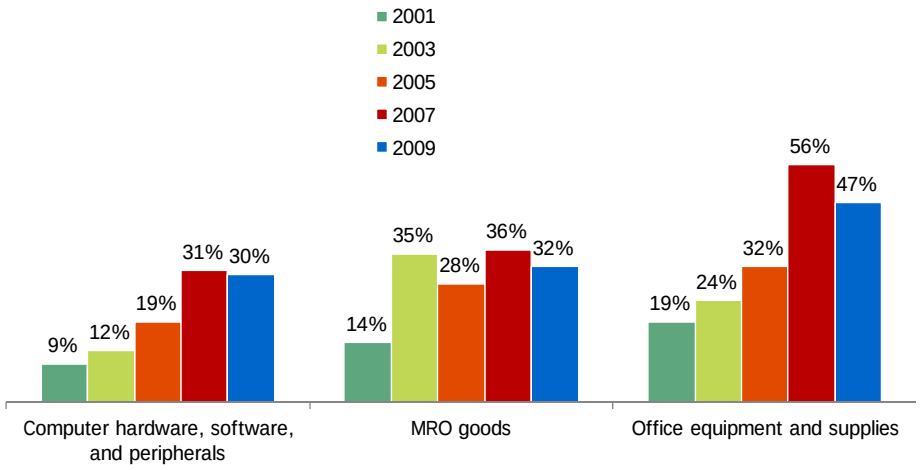



* Payment for travel (as a category of service) is dealt with separately in a later section entitled, "Dual Use of Purchasing Cards".

## Goods Purchases: A Closer Look

Across the various categories of goods bought with the purchasing card, the highest percentage of spending paid by purchasing cards is for office supplies, where (on average) 47% of spending is paid by purchasing cards (at those organizations using the card for office supplies purchases). In a historical context, **Exhibit 30** on the next page indicates that purchasing card payments as a percentage of total spending for office supplies and equipment has decreased from 56% in 2007 to 47% in 2009. Likewise, purchasing card payments as a percentage of total spending for MRO has decreased from 36% in 2007 to 32% in 2009. Purchasing card payments as a percentage of total spending for computers, hardware, and peripherals has decreased from 31% in 2007 to 30% in 2009. Though not shown in Exhibit 30, the percent of spending on purchases not frequently paid by purchasing cards, such as inventory and capital assets, has increased since 2007. Specifically, purchasing card capture of payments for capital goods has increased from 7% in 2007 to 18% in 2009; likewise inventory has increased from 12% in 2007 to 28% in 2009.

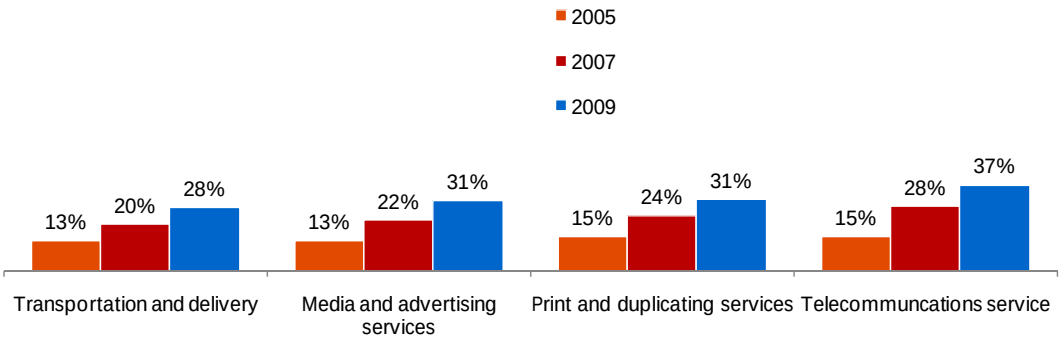
**Exhibit 30**
**Average Purchasing Card Spending as a Percentage of Total Spending within Categories of Commonly Purchased Goods: 2001-2009**




## Services: A Closer Look

While the penetration of the purchasing cards for common "cardable" goods has slowed, their use for services has increased significantly. For example, nearly half of all catering charges are paid with purchasing cards (by those organizations using the card for this purpose). In a historical context, **Exhibit 31** on the next page shows steady increases in the percentage of spending paid by purchasing cards for transportation and delivery, media and advertising, printing and duplicating, and telecommunications since 2005. Though not shown in Exhibit 31, the percent of spending on services less frequently paid by purchasing cards, including utilities and lease and rental payments, has increased since 2007. Specifically, purchasing card capture of payments for utilities has increased from 10% in 2007 to 26% in 2009; likewise lease and rental payments has increased from 8% in 2007 to 25% in 2009.

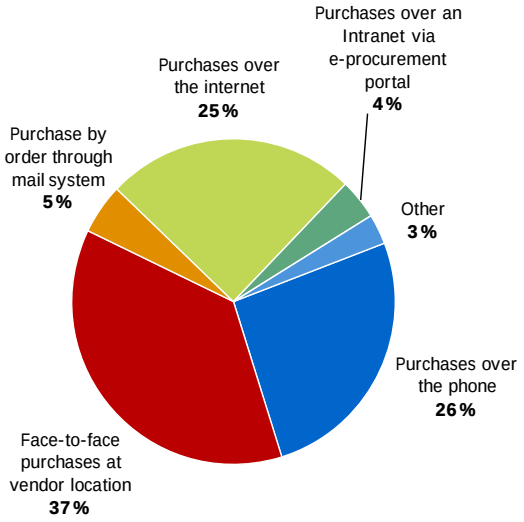
**Exhibit 31**
**Average Purchasing Card Spending as a Percentage of Total Spending within Categories of Commonly Purchased Services: 2005-2009**




## Spending by Mode of Purchase

Purchasing cards are particularly useful in support of modern organizational purchasing behavior. **Exhibit 32** shows the percentage of purchasing card transactions conducted by method of purchase transaction. Specifically, 37% of purchasing card transactions occur in a "face-to-face" transaction between an employee and a merchant, 26% occur over the phone, and 25% via the Internet. Less frequent purchasing card purchase modes include mail orders (5%), e-procurement portals (4%), and "other" purchasing methods (3%).

**Exhibit 32**
**Method of Conducting Purchasing Card Transactions**



## Conclusion

The rate of purchasing card growth has been consistent and positive since its emergence as a tool to improve the efficiency of the procure-to-pay process in organizations. Comparisons of similar organizations in 2007 and 2009 indicate that the typical purchasing card program has increased the percentage of employees given a purchasing card (from 9.3% in 2007 to 10.7% in 2009) and the average transaction amount (from $281 in 2007 to $315 in 2009). As a consequence, the "typical" organization engages in about $220 of purchasing card spending per month per employee in 2009, up from $190 in 2007. The average purchasing card account has $2,062 of charges per month, up slightly from $2,037 in 2007.

Organizations have steadily increased their capture of low-value transactions with purchasing cards since 2003. A typical organization now pays for about 44% of its under $2,500 transactions and 28% of its $2,500 to $10,000 transactions with the purchasing card. Hence, the average organization has significant remaining potential for increased capture of under $2,500 and $2,500 to $10,000 transactions with purchasing cards. The most common non-card payment mechanism continues to be checks. The larger the organization, the less likely that an under $10,000 payment will be paid by check and the more likely it will be paid by electronic means including purchasing cards, ACH, or wire transfer.

Growth in purchasing card spending requires continued exploration of card use for under $10,000 transactions. While purchases of office supplies, MRO, and computer hardware, software, and peripherals continues to be the most common application of purchasing cards, organizations are not making significant increases in their use of cards for these items. However, respondents continue to expand their use of purchasing cards for a wide array of business services, including transportation and delivery, media and advertising, printing and duplicating, telecommunications, utilities, and rental payments.

Finally, purchasing cards appear to fit well with the delegated responsibilities of modern organizational purchasing. Specifically, 37% of purchasing card transactions occur in a "face-to-face" transaction between an employee and a merchant, 26% occur over the phone, and 25% via the Internet.

# The Impact of Purchasing Cards on Organizational Cost and Efficiency

- *Transaction Cost Savings Associated with Purchasing Cards*
- *Impact of Purchasing Cards on Accounts Payable and Purchasing*
- *Understanding the Low Transaction Volume*
- *Use of Card Data to Generate Price Reduction from Vendors*
- *Purchasing Cards and Cycle Time*
- *Supply Base Reduction*
- *Supplier Benefits*
- *Customer Goals*

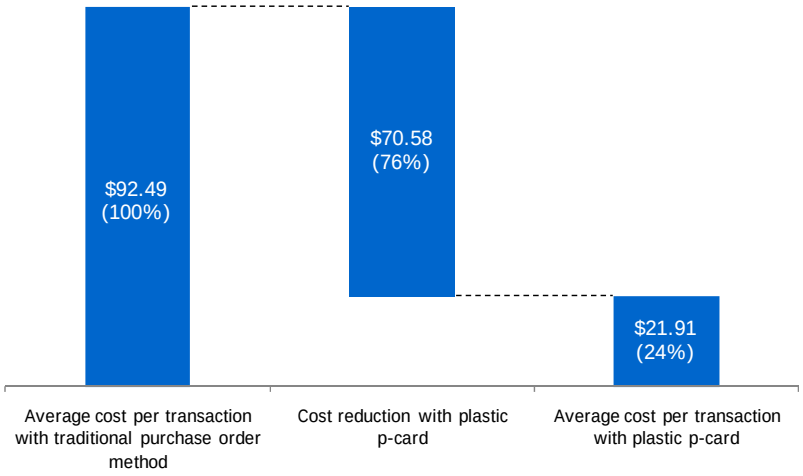
# The Impact of Purchasing Cards on Organizational Cost and Efficiency

Purchasing cards improve organizational efficiency in a variety of ways. This section examines transaction cost savings generated by purchasing card use, the impact of purchasing cards on Accounts Payable and Purchasing staffing, the use and benefit of purchasing card data in support of vendor discounts, and the impact of purchasing card use on procurement cycle times, the supplier base, and supplier relations. Further, this section compares the benefits delivered through purchasing card use to the organizational goals set forth for purchasing card programs.

## Transaction Cost Savings Associated with Purchasing Cards

The most widely recognized benefit of purchasing card use is cost savings per transaction. **Exhibit 33** illustrates respondent-reported process cost estimations with and without the use of the purchasing card. The average administrative cost of procuring and paying for a good or service via the traditional purchase-order based process is reported by respondents to be approximately $93 per transaction, while the average cost associated with a purchasing card transaction is estimated to be $22—a net savings attributable to purchasing card use of about $71 per transaction (or, a 76% cost reduction). Thus, by using the purchasing card to reduce or eliminate the paperwork associated with requisitions, sourcing, approvals, purchase orders, invoices, and checks, an organization generates significant transactional cost savings.

**Exhibit 33**
**Cost Reduction per Transaction by Purchasing Card Use**



While the $71 per transaction cost savings figure is often referred to as “soft” savings (since it is not realized by the organization until excess resources are eliminated or redeployed to more productive activities), it is built on real reductions in organizational work. **Exhibits 34(a)** and Exhibit **34(b)** on the next page list common workload reductions achieved by organizations using purchasing cards. Realized cost savings (i.e., hard dollar savings) driven by purchasing card activity are discussed later in this section.

**Exhibit 34(a)**
**Activities Reduced or Eliminated by a Purchasing Card Program**

## Accounts Payable
can reduce or eliminate

- Receiving, sorting, matching, filing and entering data relating to receiver, invoice, and purchase order
- Routing/re-routing of invoices for approval and account coding
- Backorder suspense file management for invoices that were partially filled
- "Rationalizing" paperwork – particularly in cases where employees have taken possession of goods prior to filling out any paperwork
- Activities associated with end-of-month liability accruals
- New vendor set-up and approval
- Answering phone inquiries from suppliers regarding payment
- Processing of expense reports for sundry items
- Petty cash reimbursements
- Check writing activities associated with small dollar purchases, including check processing, matching invoices to checks, obtaining or imprinting signatures, filing and mailing

## Purchasing
can reduce or eliminate

- Receiving requisitions
- Assigning buyers
- Selecting suppliers
- Calling suppliers (often an activity that duplicates what requisition has done) and negotiating/price checking on small dollar items
- Establishing terms
- Transcribing requisition to purchase order, filing and sending Purchase Order (PO) to the supplier
- Filing and internally distributing PO copies
- Resolving invoice discrepancies
- Closing the order when the transaction is satisfactorily completed
- Time spent aggregating data across business units to support discount negotiations
- Time spent tracking vendor-specific spending to insure compliance with contractual terms and discounts

To put the 76% reduction in transactional costs to use in the larger context of the economies of the respondents, consider that in the year 2009, purchasing cards in North America were used to consummate an estimated 533 million transactions for approximately $161 billion. At the respondent-reported average savings of $71 per transaction, purchasing cards can be credited with generating overall transactional cost savings of approximately $38 billion. Thus, the long-term economic value proposition of purchasing cards is very sound: for every $302 spent (the average spending for a transaction), the user generates $71 in transactional cost savings—equivalent to a 24% price reduction.

**Exhibit 34(b)**

**Non-Value Adding Activities in Accounts Payable and Purchasing Reduced or Eliminated by Purchasing Cards**

**Accounts Payable**
can reduce or eliminate

- Time spent filling out requisitions.
- Time spent obtaining approvals.
- Stockpiling of supplies (due to lag time between requisition and receipt).

**Mail room**
can reduce or eliminate

- Receiving, sorting, and distributing correspondence relating to small dollar purchases.
- Postage costs relating to small dollar purchases.

**General Accounting**
can reduce or eliminate

- Time involved in bank reconciliation and accounting for transactions.

**Receiving**
can reduce or eliminate

- Receiving activities related to small dollar acquisitions (assuming goods can be sent directly to cardholder).

**Information Technology**
can reduce or eliminate

- Activities relating to special analyses of low-value purchasing activity.

## Impact of Purchasing Cards on Accounts Payable and Purchasing

Transactional cost saving are derived, in part, from the impact that purchasing cards have on the manpower required to conduct work activities using the traditional purchase-order driven process to acquire and pay for goods and services (including sourcing, vendor communications, and activities to process requisitions, purchase orders, receiving documents, invoices, and checks). Some cost savings attributable to purchasing cards may be "soft." Soft savings commonly occur when the level of transaction activity shifted to purchasing cards reduces the administrative workload but not in a manner sufficient to enable the elimination of personnel. By contrast, "hard" savings occur when the administrative workload reduction, driven by shifting higher levels of transaction activity to purchasing cards, supports the elimination of personnel in the Purchasing/AP areas.

To determine the impact of the purchasing card on work activities and staffing, we asked respondents to estimate the number of additional AP and Purchasing personnel that would need to be hired if the organization's purchasing card program was completely eliminated. Across the sample, 61% of respondents report that they would need additional staffing to support acquisition and payment activities in the event the purchasing card program was eliminated.

**Exhibit 35** on the next page summarizes the staff reduction/redeployment in relation to differing levels of purchasing card transaction activity in the Purchasing/AP areas. As shown in Exhibit 35, both the percentage of respondents reporting a change in headcount and the number of full-time equivalent employees (FTEs) eliminated or redeployed rise with increases in annual purchasing card transaction activity. On average, one Accounts Payable FTE was eliminated for every 14,999 purchasing card transactions and one Purchasing FTE was eliminated for every 17,842 transactions. Taken together, one FTE was eliminated for every 8,149 purchasing card transactions. There are economies of scale associated with the AP operations and purchasing cards, such that the level of transaction activity resulting in an FTE reduction is less for smaller organizations. For example, organizations with fewer than 6,000 card transactions per year report 1 FTE reduction for every 3,170 purchasing card transactions; by contrast, organizations with 120,000 or more purchasing card transactions per year report 1 FTE reduction for every 22,124 purchasing card transactions. It should be noted that these figures represent averages and the experience of any particular organization may be affected by a variety of factors, including card distribution patterns, types of cards used, and span of vendors and purchases related to card activity.

**Exhibit 35**
**Impact of Purchasing Card on Accounts Payable Staffing Needs**

| Level of Annual Purchasing Card Transaction Activity | % of Respondents Reporting Change in Headcount Due to the Use of Purchasing Card | Average Headcount Reduction/ Redeployment in Purchasing/AP (in FTEs) |
|---|---|---|
| Less than 6,000 transactions | 38.6% | 0.70 |
| 6,000-11,999 transactions | 56.3% | 1.39 |
| 12,000-23,999 transactions | 69.8% | 2.62 |
| 24,000-47,999 transaction | 80.2% | 3.71 |
| 48,000-119,000 transactions | 90.5% | 6.12 |
| 120,000 or more transactions | 100.0% | 11.21 |

## Understanding the Low Transaction Volume

As shown in Exhibit 35, low purchasing card transaction activity does not drive high levels of hard savings, though it will positively affect the administrative functions shown in Exhibit 34(a) and (b). Of the organizations with less than 6,000 purchasing card transactions per year, 34% are corporations and 64% are public entities. Of Corporations, the vast majority (78%) are in the Middle Market category; of public entities, 81% are school districts, not-for-profit organizations, or city or county agencies. For most smaller organizations, the value proposition of purchasing cards relates more to time savings, convenience, and potential operating efficiencies than simply changing staffing needs.

However, it should be noted that 22% of the corporations in the low transaction category are Large Market and even Fortune 500 Size companies. These organizations would obtain significant cost savings benefit if their pattern of card use changed. It appears that a “chicken or the egg” dilemma exists for these organizations, to wit; they would increase usage of the purchasing card if they could see cost savings but they will not experience cost savings until they increase their card use.

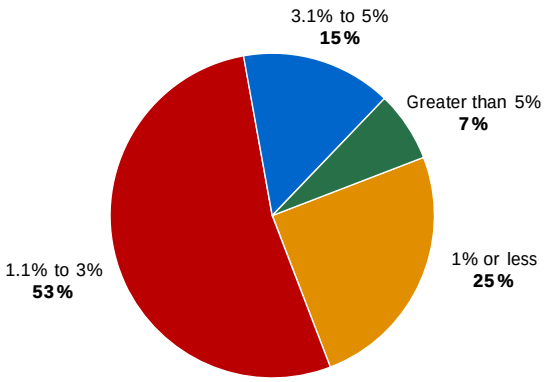
## Use of Card Data to Generate Price Reduction from Vendors

Across the entire sample, 26% of respondents report that their organization uses purchasing card spending data to obtain a higher discount for goods or services from a vendor, up from 22% in 2007. Of those organizations that use purchasing card spending data to obtain higher discounts, 60% report obtaining a higher discount. The absolute improvement in the discount, on average, is 2.2%. In other words, if an organization was already obtaining a 3% discount, the use of purchasing card data in discount negotiations increased the discount to 5.2%. If the improvement in the discount applied to all

purchasing card spending, an average organization (with $1,289,709 per month in purchasing card spending as shown in Exhibit 23) would generate an additional price reduction savings of $28,374 per month ($340,488 per year) on the goods and services acquired.

**Exhibit 36** reports, on average, the absolute improvement in vendor discount driven by use of purchasing card data. The exhibit shows that 25% of respondents report a 1% or less improvement, 53% report a 1.1% to 3% higher discount, 15% report a 3.1% to 5% higher discount, and 7% report an improvement of more than 5%.

**Exhibit 36**
**Absolute Improvement in Vendor Discount Due to use of Purchasing Card Data (by Organizations Reporting a Discount**




The level of absolute improvement in the discount obtained from vendors by virtue of using purchasing card data is correlated to the capture of transactions on the purchasing card. **Exhibit 37** shows that higher levels of discounts on goods are associated with higher capture of under $2,500 and $2,500 to $10,000 transactions on the purchasing card. Thus, organizations improving their discount by 1% or less on average captured 46% of their under $2,500 transactions and 29% of their $2,500 to $10,000 transactions; but organizations improving their discounts by 3% or more captured 56% of their under $2,500 transactions and 37% of their $2,500 to $10,000 transactions.

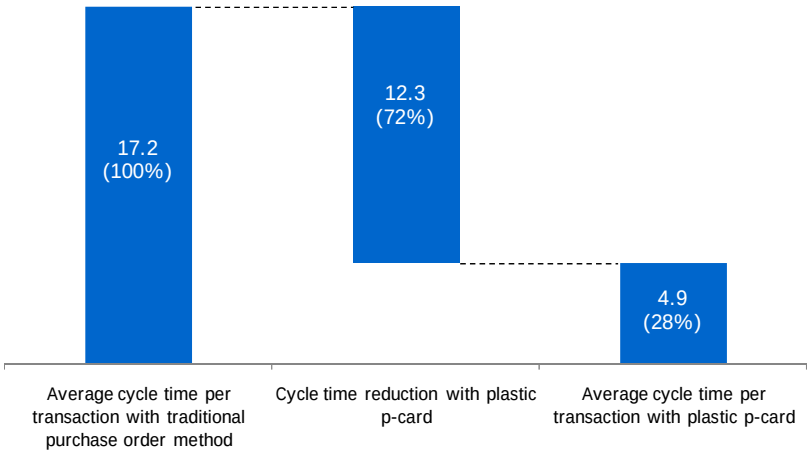
**Exhibit 37**
**Improvement in Discount and Capture of Under $2,500 and $2,500 to $10,000 Transactions**

| Absolute Improvement in Discount Due to P-Card Data | Capture of Under $2,500 Transactions | Capture of $2,500 to $10,000 Transactions |
|---|---|---|
| 1% or less | 46% | 29% |
| 1.1% to 3% | 53% | 33% |
| Greater than 3% | 56% | 37% |

There are two final notes of interest in relation to vendor discounts. First, we found that a majority of organizations that obtain higher discounts (52.3%) use "ghost accounts." By contrast, only 33.3% of all respondent organizations used "ghost accounts." Further, the majority of organizations report obtaining an improved discount on office supplies (other common increases in discounts were associated with MRO and computer-related purchase). Connecting these two facts would imply that a "ghost" purchasing card helps an organization to consolidate and track total spending with a particular vendor (regardless of the number of business units involved in the purchasing activity). This tracking can be particularly valuable if the discounts available are contingent upon the buyer reaching targeted levels of spending within a set time period.

## Purchasing Cards and Cycle Time

**Exhibit 38**
**Cycle Time Reduction by Purchasing Card Use**




For most organizations another key benefit of the purchasing card is a reduction in the procurement cycle time (the time elapsed from the placement of an order to the date goods are received). For example, the ability to quickly purchase spare parts for broken machinery on the night shift can enable an organization to meet production and delivery schedules and reduce cost of downtime. **Exhibit 38** shows an average procurement cycle time reduction of more than 12 days from determination of employee need to the receipt of the ordered goods with the use of purchasing cards (from 17.2 to 4.9 days). Median procurement cycle time was reduced by 8 days (from 10 days to 2). The average reduction in cycle time is more pronounced in larger organizations. For example, the average cycle time reduction for Fortune 500 Size companies is 15 days while the reduction for Middle Market companies is 10 days. Across the North American economy, the 72% reduction in cycle time means that across the 533 million purchasing card transactions made in 2009, potentially over 17 million years equivalent of wait time was eliminated from the procure-to-pay process.

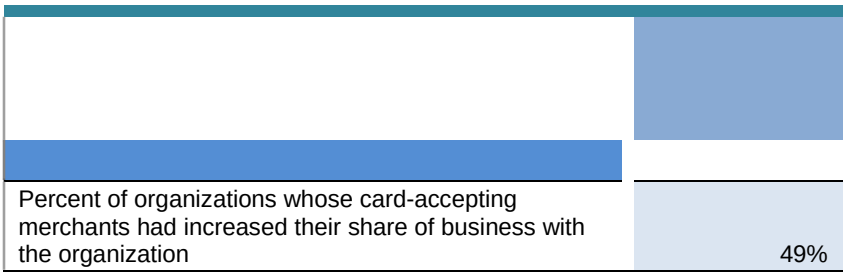
## Supply Base Reduction

The purchasing card acts as a tool to streamline an organization's supplier data base. Thirty-two percent of respondents indicate that, by virtue of purchasing card use, they had reduced the number of active suppliers maintained in their AP master file. The average reduction in the vendor base for these organizations was 16%. Reductions in the number of suppliers in the database reduce administrative workload to maintain and update the information contained therein.

## Supplier Benefits

Suppliers, who often resist charges to process card payments, sometimes forget or downplay the benefits of card acceptance. The benefits include: (a) acceleration of cash collection, (b) reduction of credit risk, (c) reduced clerical and communications activities and related costs in credit, billing, collection, and receivables, and (d) potentially, increased sales due to accommodation of choice of payment method. On the latter point, **Exhibit 39** shows that 49% of respondents indicate that, over the past five years, suppliers who accept purchasing cards have increased their share of business with their organization above that of suppliers who did not accept purchasing cards.

**Exhibit 39**
**Supplier Benefits**

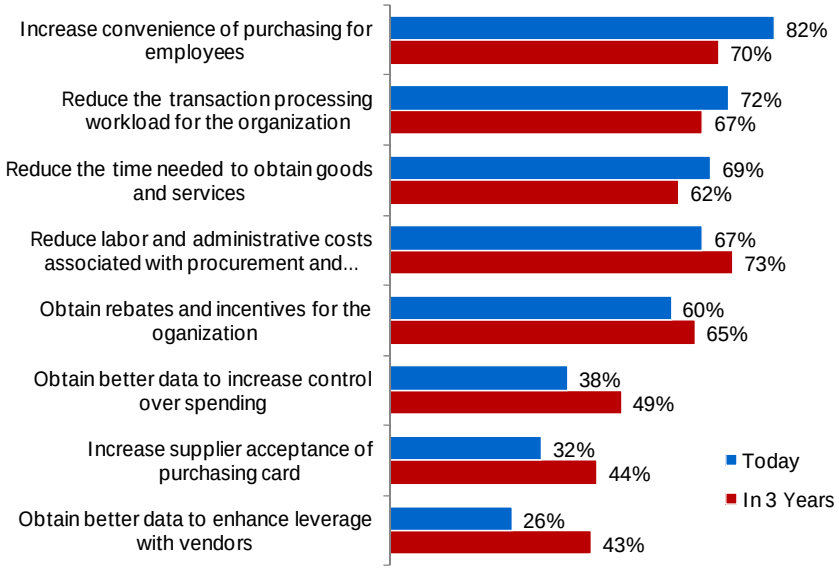



## Customer Goals

The benefits attributed to purchasing card use above match well with the organizational goals set forth for purchasing card programs. **Exhibit 40** on the next page shows the primary goals organizations have for their purchasing card program today and as expected three years from today. The exhibit indicates that the most frequently identified goals for purchasing card programs today (in order of customer preference) include (1) increased convenience of purchasing for employees, (2) reductions in the transaction processing workload, (3) reductions in the time needed to obtain goods and services, and (4) reductions in the labor and administrative costs associated with procurement and payables. By comparison, these are the same top four customer goals for purchasing card programs that we reported in 2007. Further, respondents identify these same four

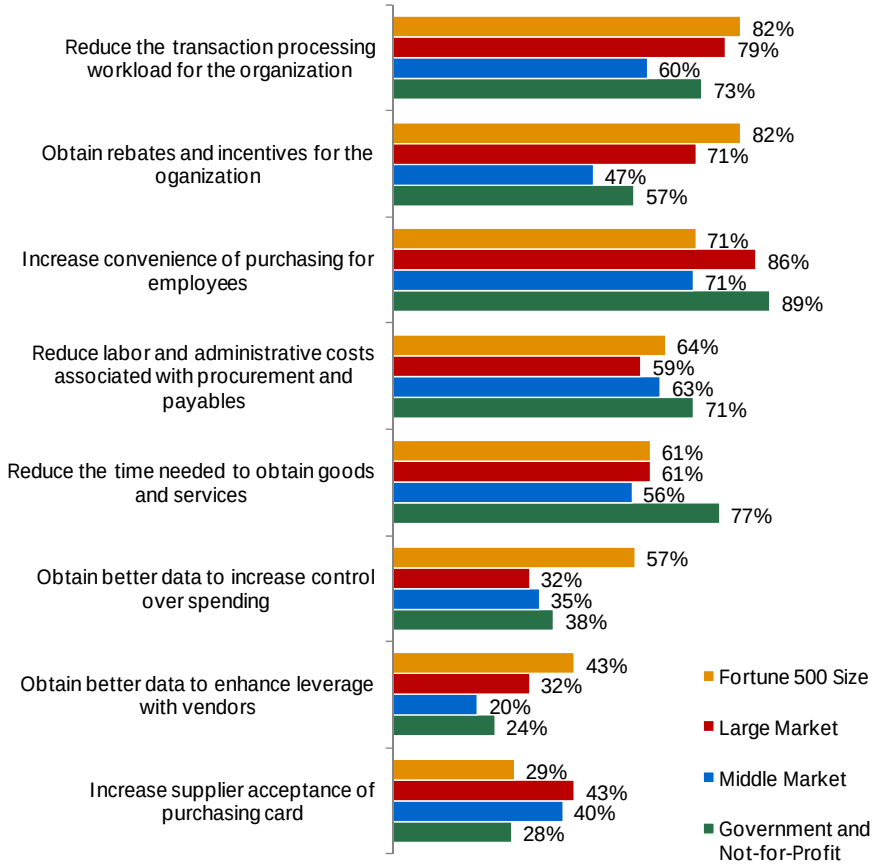
items as expected top primary goals for their company's purchasing card program three year out. Thus, it appears that the primary goals for purchasing card programs are reaching a "steady state," with organizations committed to the fundamental goals of employee convenience, transaction processing efficiency and administrative cost reduction, and procurement cycle time reduction.

**Exhibit 40**
**Primary Purchasing Card Goals, 2009 versus 2012**




Not all organizations may be looking for the same suite of benefits from purchasing card programs. Indeed, the primary goals for purchasing card programs vary by type and size of organization. **Exhibit 41** on the next page shows that, among corporations, certain goals are more frequently identified as respondents increase in size. Thus, Exhibit shows that larger companies more frequently identify a primary goal to (a) reduce the transaction processing workload for the organization, (b) obtain better data to increase control over spending, (c) obtain better data to enhance leverage with vendors, and (d) obtain rebates and incentives for the organization. By contrast, Government and Not-for-Profit purchasing card programs identify a primary goal to (1) increase convenience of purchasing for employees, (b) reduce the time needed to obtain goods and services, and (c) reduce labor and administrative costs associated with procurement and payables. Notwithstanding the differences in goals among different groups of respondents, it appears that the benefits delivered are matching well with the interests of the users.

**Exhibit 41**
**Current Primary Purchasing Card Goals, by Corporate Segments and Government and Not-for-Profit Organization**




## Conclusion

**Exhibit 42** on the next page summarizes some of the key benefits of the purchasing card discussed in this section. There are many other unique benefits expressed by respondents – too numerous for discussion here – that are a function of the particular business context in which an organization resides. Collectively, Exhibit 42 shows that purchasing cards continue to present a strong value proposition for business, governmental agencies, and other organizations in North America.

**Exhibit 42**
**Organizational Cost and Efficiency Benefits Related to Purchasing Card Use**

| | Respondents Report |
|---|---|
| **Card-User Benefit** | |
| Transactional cost savings | Reducing the average administrative cost of procuring and paying for a good or service by 76% (from $93 per transaction via the traditional purchase order-based process to $22 per transaction via purchasing cards). |
| Headcount reduction | Sixty-one percent of organizations report reductions in the manpower required to conduct the Purchasing and Accounts Payable activities. On average, 1 Accounts Payable FTE was eliminated for every 14,999 purchasing card transactions and one Purchasing FTE was eliminated for every 17,842 transactions. |
| Cycle time improvement | Reducing the average procurement cycle time (from need identification to receipt of goods) by 72% (from 17.2 days via the traditional purchase order-based process to 4.9 days via purchasing cards). |
| Discounts based on purchasing card data | Of organizations that use purchasing card spending data to obtain higher discounts, 60% report obtaining a higher discount. The absolute improvement in the discount, on average, is 2.2%. |
| Supply chain management | Reduction in the number of suppliers from whom the organization acquires goods and services. By virtue of p-card use, 32% of all respondents reduced the number of suppliers it maintains in its Accounts Payable master file (by an average of 16%). Further, 49% of respondents indicate that merchants who accept purchasing cards had increased their share of business with the organization. |
| **Other Benefits** | |
| Obtain and monitor essential spend data | Purchasing cards enhance an organization's ability to (a) track and aggregate, on a global basis, spending with specific vendors, (b) track and aggregate, on a global basis, spending conducted with vendors by multiple business units, and (c) monitor spending with vendors to ensure compliance with contractual terms. |
| Reductions in petty cash accounts and cash advances | Reduction in the number of petty cash accounts and the cash advance process is significant in organizations that allow cash advances against purchasing cards. |
| Credit management | Purchasing card-using organizations reduce time spent filling out credit applications. |
| Convenience to employees | Highly valued primary goal of 82% of organizations. |
| Avoiding late fees and lost discounts | Purchasing card-using organizations avoid late fees or lost discounts that tend to occur with slow-moving paper-based payments. |

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

05

# Use of Electronic Accounts Payable

- *A Panoramic View of the Types of Cards Used*
- *Spending and Growth of Programs Using EAP Accounts*
- *EAP Account Use by Organizational Type*
- *Supplier Issues*
- *Characteristics of EAP Spending, Overall*
- *Impact of EAP on Purchasing Card Program Performance*
- *Greater Control at the High End*
- *EAP Expands "Menu" of Card Purchases*
- *Key Take-Aways about EAP*
- *Changing Controls over Time with EAP Card Accounts*
- *Other Factors that Distinguish EAP*
- *North America Purchasing Card Spending by Organizations with and Without EAP*

# Use of Electronic Accounts Payable Accounts

Purchasing card products and variations of those products have developed over the past twenty years to meet the needs of organizational users. The 2009 Purchasing Card Benchmark Survey inquired about customer use of traditional plastic cards, ghost card accounts, electronic accounts payable (EAP) accounts, and other accounts. This section reports on the use of EAP and the next section will address ghost accounts.

As noted in Introduction, our survey defines Electronic Accounts Payable cards as "non-plastic card accounts used to pay for invoiced goods and services (whether set up as a rotating pool of card accounts, ghost card accounts funded only to pay invoices from specific suppliers, or another arrangement similar in purpose)." An EAP purchasing card account does not impact administrative costs associated with sourcing and purchasing of goods and services since the traditional procurement process typically remains largely intact for EAP transactions. However, there are several benefits to the use of EAP. First, EAP allows the organization to increase its purchasing card spending by enabling card payment for purchases that heretofore have not been paid by plastic cards. Second, EAP reduces the cost and financial risk associated with check payment activity. Third, depending on when payment is made, EAP purchasing card accounts can significantly increase "float" (the amount of time between the date you make a purchase and the date the payment is made). Finally, in some variations of EAP an organization can reduce risk associated with plastic purchasing cards inasmuch as the EAP account numbers can be connected to credit limits designed to support a single transaction. Thus, if a hacker were to obtain a card number the financial exposure would be minimized.

## A Panoramic View of the Types of Cards Used

As shown in the introductory section of this Report, 99.3% of respondent purchasing card programs use traditional plastic cards, a figure that is little changed from 2007. In 2009, 33.5% of respondents utilize "ghost card" accounts, up from 28.8% in 2007. In 2009, 16.1% of respondents indicate the use of EAP accounts, up from 12.6% in 2007. Finally, in 2009, 6.0% of respondents report "Other" types of purchasing card accounts, up from 2.7% in 2007. In sum, it appears that organizations are steadily expanding their use of purchasing card technology to suit their particular buying habits and control requirements.

## Spending and Growth of Programs Using EAP Accounts

**Exhibit 43** on the next page shows key spending and purchasing card program growth statistics for organizations with and without EAP. The exhibit shows that 16.1% of

respondents use EAP purchasing card accounts and that these organizations account for 26.1% of purchasing card spending and 20.9% of purchasing card transactions in the sample. Further, in comparison to organizations that do not have EAP, organizations that use EAP have (on average) more employees (9,088 versus 6,868), and report a lower level of card distribution across the employee base (7.8% versus 10.3% of employees provided a plastic purchasing card).

**Exhibit 43**
**Purchasing Card and Organizational Statistics, by Organizations Using / Not Using EAP Accounts**

| | Programs with EAP | Programs without EAP |
|---|---|---|
| Percent of respondent organizations | 16.1% | 83.9% |
| Average number of employees | 9,088 | 6,868 |
| Plastic card-to-employee ratio | 7.8% | 10.3% |
| Percent of all respondent spending | 26.1% | 73.9% |
| Percent of all respondent transaction | 20.9% | 79.1% |

**Exhibit 44** shows past and future growth rates of purchasing card spending for organizations with and without EAP purchasing card accounts. In comparison to organizations that do not use EAP, organizations that use EAP report a significantly higher growth in purchasing card spending in the two year period from 2007 through 2009 (48.7% versus 11.8%). Further, EAP-using organizations expect higher purchasing card spending growth in 2010 (11.4% versus 8.7%), between 2009 and 2012 (41.3% versus 30.6%) and between 2009 and 2014 (74.3% versus 55.2%).

**Exhibit 44**
**Past and Future Purchasing Card Spending Growth, by Organizations Using / Not Using EAP Accounts**

| | Programs with EAP | Programs without EAP |
|---|---|---|
| Percent reporting spending growth 2007-2009 | 78% | 67% |
| Growth rate 2007-2009 | 48.7% | 11.8% |
| **Growth Rate Expectations** | | |
| 2010 | 11.4% | 8.7% |
| Three year expected growth, 2009-2012 | 41.3% | 30.6% |
| Five year expected growth, 2009-2014 | 74.3% | 55.2% |

## EAP Account Use by Organizational Type

**Exhibit 45** shows that in 2009 organizations that use EAP purchasing card accounts are more likely to be Corporations or Not-for-Profit entities. Specifically, 55% of EAP-using organizations are Corporations, 14% are Not-for-Profit entities, 11% are Cities or Counties, 9% are Universities, 9% are School Districts, and 2% are Federal or State agencies.

**Exhibit 45**
**Types of Organizations Using Electronic Accounts Payable (EAP) Purchasing Card Accounts, 2009**

| Type of Organization | EAP Users 2009 | Total Sample Composition |
|---|---|---|
| Corporations | 55% | 47% |
| University | 9% | 11% |
| City/county or city/county government agency | 11% | 16% |
| Federal/ State government agency | 2% | 6% |
| School district | 9% | 11% |
| Not-for-profit entity | 14% | 9% |

**Exhibit 46** indicates the percentage of organizations (by category) that use EAP purchasing card accounts in 2005, 2007, and 2009 as well their projected use in 2010 and by 2012. As shown in the Exhibit, EAP is currently in use by 25.7% of Fortune 500 Size companies, 21.9% of Large Market companies, 17.2% of Middle Market companies, and 12.1% of Government and Not-for-Profit entities. In all categories, the percentage of organizations using EAP has grown steadily since 2005.

**Exhibit 46**
**Percent of Organizations Using EAP Accounts, 2005-2012**

| Category | 2005 | 2007 | 2009 | 2010 (Projected Use) | 2012 (Projected Use) |
|---|---|---|---|---|---|
| Fortune 500 Size | 12.2% | 24.3% | 25.7% | 42.8% | 68.1% |
| Large Market | 4.9% | 16.1% | 21.9% | 36.7% | 59.4% |
| Middle Market | 7.5% | 11.6% | 17.2% | 28.0% | 47.8% |
| Government and Not-for-Profit | 7.2% | 10.2% | 12.1% | 21.8% | 43.7% |
| All Respondents | 8.3% | 14.5% | 16.1% | 27.1% | 48.8% |

Exhibit 46 also shows the percentage of companies that expect to be using EAP in 2010 and by 2012. By the end of 2012 almost half of all respondents expect to use EAP, including 68.1% of Fortune 500 Size and 59.4% of Large Market companies.

Inasmuch as an increasing number of organizations are adopting EAP purchasing card accounts, **Exhibit 47** on the next page provides some details about those organizations that have adopted EAP before 2010. Specifically, the exhibit shows that:

- 52% have used EAP for one year or less, 21% for two years, 14% for three years, and 13% for four or more years,
- 76% of indicate that EAP account spending has had "little or no impact" on plastic purchasing card spending, while only 3% indicate that EAP account spending has had a "significant" impact on plastic purchasing card spending,
- 55% indicate that EAP purchases are for "goods and services that are different" from plastic p-card purchases while 45% report that EAP purchases are for goods and services that are the same as those purchased on plastic cards, and
- among organization that use EAP to purchase goods and services that are "different" from plastic card purchases, the primary differences are that purchases are (a) from vendors with whom the organization conducts a high number of transactions (56%), (b) for higher dollar amounts (55%), (c) for transactions that require additional approvals/controls prior to payment (45%), and (d) for goods and services which are not allowed to be paid for by purchasing cards (30%).

The fact that many organizations use EAP for different types of purchases is reflected in the common per transaction spending limits on EAP accounts. Exhibit 47 shows that 60% of EAP-using respondents have per transaction limits on EAP accounts of more than $10,000. Only 2% of plastic cards have a per transaction threshold of this nature. Thus, it appears that EAP purchasing card accounts are not generally viewed as a substitute for plastic cards, but rather a complement to the organization's purchasing card program designed to augment the capture of transactions and to enhance value derived from purchasing card technology.

**Exhibit 47**
**Characteristics of EAP Programs, Impact on Plastic Cards, Spend Focus, and Limits**

| | 2009 |
|---|---|
| **Organizations with EAP – How Long has EAP Program Been in Place** | |
| Less than 1 year | 31% |
| 1 year | 21% |
| 2 years | 21% |
| 3 years | 14% |
| 4 or more years | 13% |
| **Impact of EAP Spending on Plastic P-Card Spending** | |
| Significant reduction | 3% |
| Moderate reduction | 6% |
| Modest reduction | 13% |
| Little or no impact | 76% |
| No impact (organization does not use plastic purchasing cards | 3% |
| **Organizations with EAP - Types of Goods/Services Purchased with EAP** | |
| Different from plastic p-card | 55% |
| Same as plastic p-card | 45% |
| **Among Organizations that Use EAP Accounts to Buy Goods and Services that are "Different from Plastic Card Purchases", Purchases that differ are:** | |
| For purchases of goods of higher dollar values | 55% |
| For purchases from vendors with whom the organization conducts a high number of transactions | 56% |
| For goods and services which are not allowed to be paid by plastic p-cards | 30% |
| For transactions requiring additional approvals/controls prior to payment | 45% |
| Other | 13% |
| **Common per Transaction Spending Limits on EAP Accounts** | |
| $1-$500 | 1% |
| $501-$1,000 | 6% |
| $1,001-$2,500 | 9% |
| $2,501-$5,000 | 13% |
| $5,001-$10,000 | 11% |
| More than $10,000 | 60% |

## Supplier Issues

As noted in the introduction of this section, EAP is a different process than traditional payment by plastic cards. With plastic cards, vendors usually charge the card at the point of sale (i.e., at the cash register) or when the order is placed (e.g., via Internet or phone). With EAP, buying organizations are paying invoices received from vendors via EAP accounts.

**Exhibit 48** presents responses from EAP-using organizations to questions related to supplier payment with EAP purchasing cards and supplier EAP card acceptance. The exhibit shows that:

- on average, 8% of the respondent supply base is paid by EAP card accounts, and
- on average, 28% of suppliers elected not to accept EAP card payments.

Exhibit 48 also indicates that, in 67% of the cases, EAP-using organizations are likely to accommodate suppliers if they do not accept EAP payment by writing a check.

**Exhibit 48**
**EAP Supplier-Related Issues**

| | |
|---|---|
| **Organizations with EAP - Percent of suppliers paid by EAP** | |
| Average percent of suppliers paid by EAP | 8% |
| Average percent of suppliers that have declined to accept EAP payment | 28% |
| **Organizations with EAP - Organization's Response to Suppliers Who Do Not Accept EAP** | |
| No response, paid vendor by check | 67% |
| No response, paid vendor by ACH | 15% |
| Switched to paying vendor by plastic card in customary manner | 5% |
| Other | 13% |

Organizations that delay payment to the invoice due date report a higher percentage of suppliers declining to accept EAP payment than organizations that pay on or about the date that the invoice is presented (32% versus 18%). In part, this problem may be attributable to the fact that the majority of EAP-using organizations are using EAP to buy goods that are different from that which is typically purchased with a plastic card. Presumably, these organizations are encouraging card acceptance by suppliers that have heretofore not been part of the card acceptance world.

## Characteristics of EAP Spending, Overall

**Exhibit 49** presents a summary of spending across all respondents to the 2009 Purchasing Card Benchmark Survey. The exhibit shows that average monthly spending on EAP accounts is $747,522. However, this average is influenced by relatively few very large programs. Thus, top quartile EAP account spending is above $495,000 per month. The midpoint on EAP account spending is $150,000 per month. The average EAP account transaction is for $1,229, over four times larger than a typical plastic card

transaction ($276) across the sample. The typical organization that use EAP purchasing card accounts pays for 26% of all purchasing card spending with this account.

**Exhibit 49**
**EAP Spending Norms, All Respondents Using EAP Accounts**

| Monthly Spending on EAP Accounts | |
|---|---|
| Average | $747,522 |
| Top quartile | $495,000 |
| Median | $150,000 |
| Bottom quartile | $24,000 |
| Average transaction amount | $1,229 |
| Percent of all total purchasing card spending on EAP accounts | 26% |

## Impact of EAP on Purchasing Card Program Performance

To determine the impact of EAP on overall purchasing card program performance, we constructed two similar-sized groups of organizations that either use or do not use EAP. To improve comparability, each sample group was restricted to organizations with between 1,000 and 31,000 employees. **Exhibit 50** on the next page indicates that, in comparison to organizations that do not use EAP, organizations that use EAP accounts report:

- 47% higher average monthly purchasing card spending ($1.7 million versus $1.2 million), 131% higher median monthly purchasing card spending ($1.2 million versus $500,000),
- significantly lower card distribution across the employee base (9.4% versus 11.9%),
- 36% higher monthly purchasing card spending per employee ($262 versus $192),
- 72% higher monthly spending per plastic card in the organization ($2,769 versus $1,611), driven by 11% more monthly transactions per plastic card (6.52 versus 5.85) at a 55% higher average transaction amount ($425 versus $275).

Interestingly, the organizations that use EAP report a lower percentage of their under $2,500 transactions being paid by cards. This phenomenon is examined more closely in Exhibit 51 below. A similar percentage of transactions between $2,500 and $10,000 was paid by purchasing card between respondents that use and those that do not use EAP accounts (24%).

**Exhibit 50**
**Organizational and Card Program Performance Metrics, by Organizations Using and Not Using EAP (for Organizations with 1,000 to 31,000 employees)**

*(all numbers are averages except where indicated otherwise)*

| | Organizations Using EAP Accounts | Organizations Not Using EAP Accounts | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 6,547 | 6,057 | 8% |
| Age of program | 6.74 | 7.53 | -10% |
| **Program Performance Measures** | | | |
| Number of plastic purchasing cards | 619 | 723 | -14% |
| Card-to-employee ratio | 9.4% | 11.9% | -21% |
| Average monthly p-card spending | $1,712,687 | $1,164,130 | 47% |
| Median monthly p-card spending | $1,156,405 | $500,000 | 131% |
| Monthly spending per employee | $262 | $192 | 36% |
| **Capture of Transactions on P-card Platform** | | | |
| Transactions under $2,500 paid by p-card accounts (all types) | 40% | 45% | -11% |
| Transactions between $2,500 and $10,000 placed on p-card (all types) | 24% | 24% | 0% |
| **Cardholder Activity Measures*** | | | |
| Monthly transactions per card | 6.52 | 5.85 | 11% |
| Spending per transaction | $425 | $275 | 55% |
| Monthly spending per card | $2,769 | $1,611 | 72% |
| Inactive cards in a typical month | 20% | 20% | 0% |

* Cardholder activity measures in this table divide total purchasing card spending (on all card types) by the number of plastic cards. A breakout of spending on each card type is included in Exhibit 51.

**Exhibit 51** on the next page examines purchasing card spending for respondents that either use or do not use EAP accounts in greater detail. The exhibit shows a breakdown of average monthly purchasing card spending, transactions, average transaction amount, and monthly spending per employee by each type of card platform). Exhibit 51 indicates that, in comparison to organizations that do not use EAP accounts, organizations that use EAP accounts report:

- overall monthly spending on plastic cards that is 15% lower ($877,300 versus $1,031,209) and total plastic card transactions that are 18% lower (3,233 versus 3,954) due to the fact that they have 14% fewer cards in circulation within the organization (619 versus 723 as shown in Exhibit 50) and 21% fewer employees have a card (9.4% versus 11.9% as shown in Exhibit 50),

- 52% higher transactions per month on ghost accounts (374 versus 246), and 95% higher average monthly spending on ghost accounts ($242,618 versus $124,194),

- $575,233 of average monthly spending on EAP purchasing card accounts, driven by 397 transactions for an average amount of $1,449.

**Exhibit 51**
**Card Program Performance Metrics, by Organizations Using and Not Using EAP (for All Organizations with 1,000 to 31,000 Employees)**

| | Organizations Using EAP Accounts | Organizations Not Using EAP Accounts | Percent Difference |
|---|---|---|---|
| **Total Monthly Spending by Card Type** | | | |
| Plastic cards | $877,300 | $1,031,209 | -15% |
| Ghost accounts | $242,618 | $124,194 | 95% |
| Electronic AP | $575,233 | - | NA |
| Other purchasing card accounts | $17,536 | $8,727 | 101% |
| Total | $1,712,687 | $1,164,130 | 47% |
| **Monthly Transactions by Card Type** | | | |
| Plastic cards | 3,233 | 3,954 | -18% |
| Ghost accounts | 374 | 246 | 52% |
| Electronic AP | 397 | - | NA |
| Other purchasing card accounts | 30 | 32 | -6% |
| Total | 4,034 | 4,232 | -5% |
| **Spending per Transaction by Card Type** | | | |
| Plastic cards | $271 | $261 | 4% |
| Ghost accounts | $648 | $505 | 28% |
| Electronic AP | $1,449 | - | NA |
| Other purchasing card accounts | $589 | $272 | 117% |
| **Average Monthly Activity on Plastic Cards** | | | |
| Transactions per card | 5.23 | 5.47 | -4% |
| Spending per transaction | $271 | $261 | 4% |
| Spending per card | $1,418 | $1,427 | -1% |
| **Monthly Spending per Employee by Card Type** | | | |
| Plastic cards | $134 | $170 | -21% |
| Ghost accounts | $37 | $21 | 76% |
| Electronic AP | $88 | - | NA |
| Other purchasing card accounts | $3 | $1 | 200% |
| Total | $262 | $192 | 36% |

The net effect of these differences is that organizations that use EAP accounts report 47% higher monthly purchasing card program spending ($1,712,687 versus $1,164,130), but 18% fewer plastic card transactions. Since plastic card transactions tend to be for amounts under $2,500, the net result of lower plastic card distribution is that organizations that use EAP report paying for 40% of their under $2,500 transactions by purchasing card, while organizations that do not use EAP report paying for 45% of their under $2,500 transactions by purchasing card.

## Greater Control at the High End

Not only do EAP-using organizations report a lower percentage of the employee base provided with a plastic card, they reduce the "high end" of transaction activity with plastic purchasing cards. **Exhibit 52** shows that, in comparison to organizations that do not use EAP, organizations that use EAP report lower top quartile per transaction spending limits ($1,750 versus $3,750) and monthly spending limits ($7,500 versus $15,000) for their plastic purchasing cards. Thus, organizations appear to be using EAP to obtain greater control over payments for higher dollar purchases by directing those transactions to a centralized EAP-enabled purchasing process.

**Exhibit 52**
**Mean and Top Quartile per Transaction and Monthly Plastic Purchasing Card Spending Limits, by Organizations Using and Not Using EAP (for Organizations with 1,000 to 31,000 employees)**

| | Organizations Using EAP Accounts | Organizations Not Using EAP Accounts | Percent Difference |
|---|---|---|---|
| **Per Transaction Spending Limits on Plastic Purchasing Cards** | | | |
| Mean | $2,095 | $2,389 | -8% |
| Top quartile | $1,750 | $3,750 | -53% |
| **Monthly Spending Limits on Plastic Purchasing Cards** | | | |
| Mean | $7,522 | $10,578 | -16% |
| Top quartile | $7,500 | $15,000 | -50% |

## EAP Expands "Menu" of Card Purchases

**Exhibit 53** on the next page shows that organizations that use EAP are notably more likely to purchase MRO goods, fuel, inventory, catering, government services, mail delivery services, telecommunications services, temporary help, and transportation and delivery. The percent of organizations engaging in other types of purchases (e.g., office supplies) is similar between EAP-using and non-EAP-using organizations.

**Exhibit 53**
**Percent of Organizations Using Purchasing Card to Pay for Types of Goods/Services, by Organizations Using and Not Using EAP (for Organizations with 1,000 to 31,000 employees)**

| Percent of Organizations Using Purchasing Card to Buy Goods/Services | Organizations Using EAP Accounts | Organizations Not Using EAP Accounts | Percent Difference |
|---|---|---|---|
| MRO goods | 92% | 81% | 11% |
| Fuel | 80% | 62% | 18% |
| Inventory | 51% | 34% | 17% |
| Catering | 88% | 69% | 19% |
| Government services | 43% | 32% | 11% |
| Mail delivery services | 73% | 59% | 14% |
| Telecommunications service | 72% | 52% | 20% |
| Temporary help services | 28% | 13% | 15% |
| Transportation and delivery | 66% | 49% | 17% |

## Key Take-Aways about EAP

There are few key take-aways that result from the examination of Exhibits 50, 51, and 52.

- EAP accounts push total purchasing card program spending up significantly. In part, this is accomplished by willingness of EAP-using organizations to expand their menu of card-acceptable purchases, both in category (e.g. professional services) and by dollar value (where the average transaction amount for EAP payment is $1,229 versus $276 for plastic).

- EAP-using organizations exert tighter control over plastic cards. In particular, EAP-using organizations, on average, distribute fewer plastic cards to their employees and, of those cards, fewer are endowed with high spending limits.

- EAP use is associated with modestly lower plastic purchasing card spending.

In part, the reduction in plastic purchasing card spending at EAP-using organizations is a natural outcome of lower plastic card distribution. Yet, the reduced plastic card spending is more than compensated for by the increased spending on the EAP platform. Thus, we find that organizations using EAP report 15% lower monthly plastic purchasing card spending, but 47% higher total monthly purchasing card spending. However, it should also be noted that, if EAP-using organizations provided 11.9% of their employees with a plastic card (as done by organizations without EAP) and these cardholders used their cards in the same manner as other employees within their own organization (spending $1,418 per month), the net result would be plastic card spending of $1,104,622 (779 cards x $1,418)—a level of monthly spending on plastic cards that is over $73,000 higher

than that reported by the group that does not use EAP. Thus, expanded plastic card distribution may be another opportunity for EAP-using organizations to expand their purchasing card program spending.

## Changing Controls over Time with EAP Card Accounts

Given that organizations that use EAP tend to have lower levels of plastic card distribution, the question that arises is whether EAP improves purchasing card programs that have had limited plastic card distribution all along or does EAP cause a "pull back" on plastic card distribution. Further, is the adoption of EAP associated with any other significant change in the way that organizations control purchasing card activity?

To answer these questions, we examined 39 organizations that responded to our 2009 Purchasing Card Benchmark Survey and to a previous survey (either the 2007 or 2005) at a point in time when they had not been using EAP. The changes noticed in these organizations going from "pre-EAP" to "post-EAP" are shown in **Exhibit 54** on the next page. We find that organizations that have adopted EAP exert greater control over plastic cards, as follows:

- a modestly higher percentage of respondents report increasing the restrictions related to who can use a plastic card, whether a "manager or supervisor" (4% pre-EAP to 12% post-EAP) or "one person per department" (8% pre-EAP to 13% post-EAP),
- 42% of respondents reported decreasing their monthly plastic purchasing card spending limits, from a pre-EAP average of $8,792 to a post-EAP average of $4,530, and
- a modest increase in the percentage of inactive cards (from 17% pre-EAP to 20% post-EAP).

We find no clear evidence that organizations that adopted EAP significantly changed the percentage of employees given plastic purchasing cards. Across the 39 organizations, 40% reduced and 60% increased the percentage of employees provided with a plastic card, rarely in a significant manner either up or down. As shown in Exhibit 54, the average plastic card-to-employee ratio prior to EAP was 8.4% and after EAP is 8.8%. However, both of these figures are modestly below the average card to employee ratio found in the current and previous survey – 9.8% in 2009).

Exhibit 54 on the next page also shows that EAP is having a significant impact on purchasing card program performance of organizations. First, the exhibit shows that average spending went from $1.9 million per month pre-EAP to $2.7 million per month post-EAP, a 37% increase. This growth rate significantly exceeds the two-year sample average for the 2007-2009 time frame of 17.6% (as shown in Exhibit 7). Second, the

percentage of programs categorized as "needs improvement" decreased from 31% of the sample (pre-EAP) to 6% after the adoption of EAP.[6] In addition, the adoption of EAP increased the percentage of the group that is now categorized as a "best practice" purchasing card programs (from 22% pre-EAP to 36% post-EAP).

In sum, we conclude on the basis of this sample of 39 EAP adopters for which we have performance data over time that organizations adjust their controls over plastic cards after EAP is adopted, most notably by lowering their monthly spending limits. However, most EAP-using organizations do not dramatically change their (lower than average) number of plastic cards, though they may limit who may use a card. The net effect of EAP over time is positive, pushing purchasing card monthly spending up 37%, making many good programs "best practice" and moving others out of the "needs improvement" category.

**Exhibit 54**
**Changes in Controls and Program Performance over Time at Organizations that Adopted EAP Card Accounts**

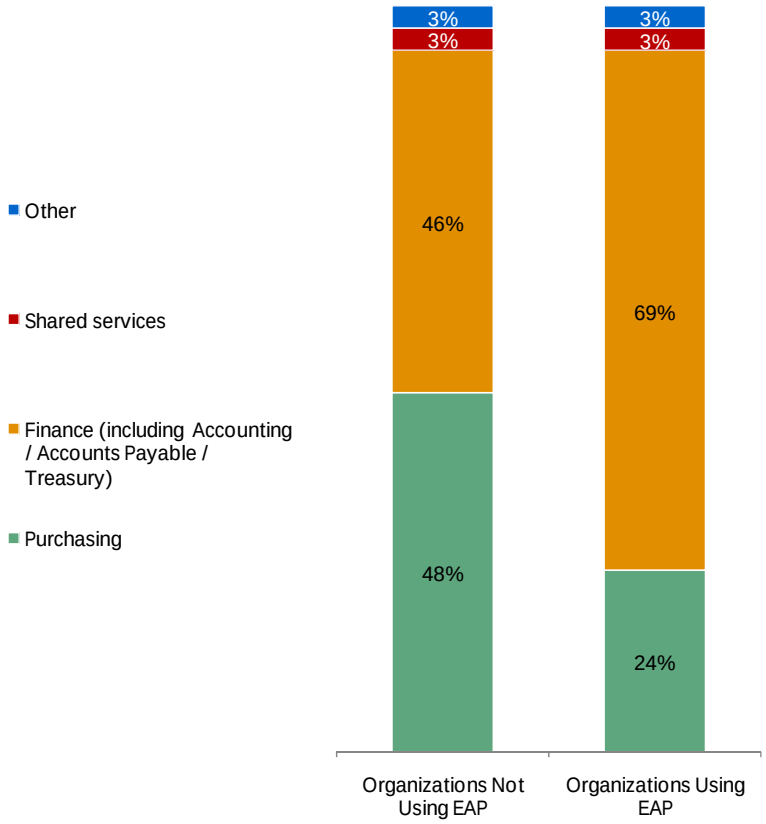
| | Post-EAP | Pre-EAP | Difference |
|---|---|---|---|
| **Use Restrictions** | | | |
| Restrict card use to managers or supervisors | 12% | 4% | 200% |
| Restrict card use to one person per department | 13% | 8% | 63% |
| **Spending limits** | | | |
| Per transaction spending limit | $2,466 | $2,239 | 10% |
| Monthly spending limit | $4,530 | $8,792 | -48% |
| **Card Distribution and Use** | | | |
| Card to employee ratio | 8.8% | 8.4% | 5% |
| Percent of inactive cards | 20% | 17% | 18% |
| **Program Performance** | | | |
| Average monthly spending (all cards combined) | $2,656,775 | $1,935,329 | 37% |
| Percent in "Best Practice" category | 36% | 22% | 64% |
| Percent in "Needs Improvement" category | 6% | 31% | -81% |

[6] We define programs as either "best practice" or "needs improvement" by criteria discussed later in our "Best Practice" sections of the Report. Suffice it to say, "needs improvement" programs are in the bottom quartile of at least one key performance measure (e.g., capture of under $2,500 and $2,500 to $10,000 transactions on the card, purchasing card spending per employee, and purchasing card spending as a percent of revenue) and not in the top quartile of any key performance measure. "Best practice" programs are a mirror image, to wit: they have at least one key performance measure in the top quartile (e.g., capture of under $2,500 and $2,500 to $10,000 transactions on the card, purchasing card spending per employee, and purchasing card spending as a percent of revenue) and none in the bottom quartile.

## Other Factors that Distinguish EAP

There are a few other facts associated with organization that use EAP purchasing card accounts that provide insight into how this tool is being implemented and adding value in the marketplace. First, **Exhibit 55** shows that EAP use is significantly more likely to occur in organizations that are managed from the Finance group (as opposed to Purchasing). The exhibit shows that 69% of EAP using organizations have purchasing card programs that report to Finance and 24% to Purchasing. By contrast, a much greater percentage of non-EAP-using purchasing card programs report to Purchasing.

**Exhibit 55**
**Purchasing Card Program Functional Home within Organization, by Organizations Using and Not Using EAP**



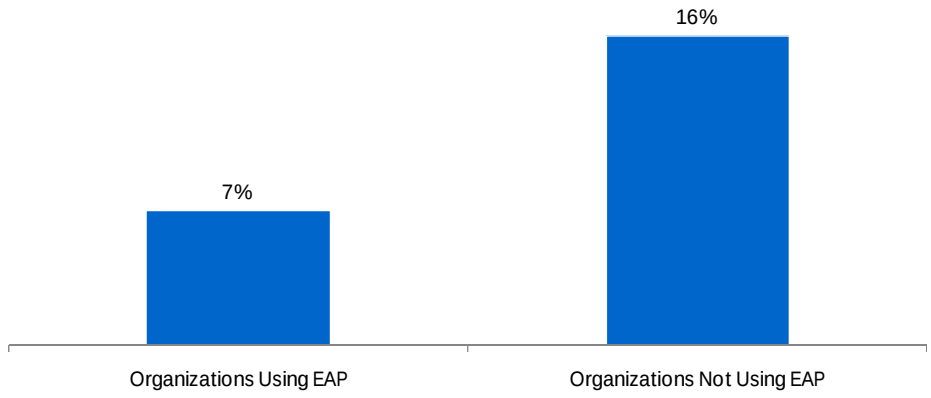

Second, **Exhibit 56** on the next page shows that organizations that use EAP are significantly more likely to identify “rebates and incentives for the organization” and “increased supplier acceptance of the purchasing card” as primary purchasing card program goals. By contrast, organizations that do not use EAP are more likely to identify “increase(d) convenience of purchasing for employees,” “reduce(d) time needed to obtain goods and services,” “better data to increase control over spending,” and “reduce(d) labor and administrative costs associated with procurement and payables” as primary purchasing card program goals.

**Exhibit 56**
**Primary Purchasing Card Program Goals, by Organizations Using and Not Using EAP**

| | Organizations Using EAP Accounts | Organizations Not Using EAP Accounts | Difference |
|---|---|---|---|
| Obtain rebates and incentives for the organization | 88% | 63% | 25% |
| Increase convenience of purchasing for employees | 72% | 82% | -10% |
| Reduce the transaction processing workload for the organization | 72% | 74% | -2% |
| Reduce the time needed to obtain goods and services | 60% | 70% | -10% |
| Reduce labor and administrative costs associated with procurement and payables | 60% | 66% | -6% |
| Increase supplier acceptance of purchasing card | 48% | 27% | 21% |
| Obtain better data to increase control over spending | 32% | 39% | -7% |
| Obtain better data to enhance leverage with vendors | 28% | 27% | 1% |

**Exhibit 57** shows that the organizations that use EAP are significantly less likely to be considering switching card issuers than organizations that do not use EAP (7% versus 16%).

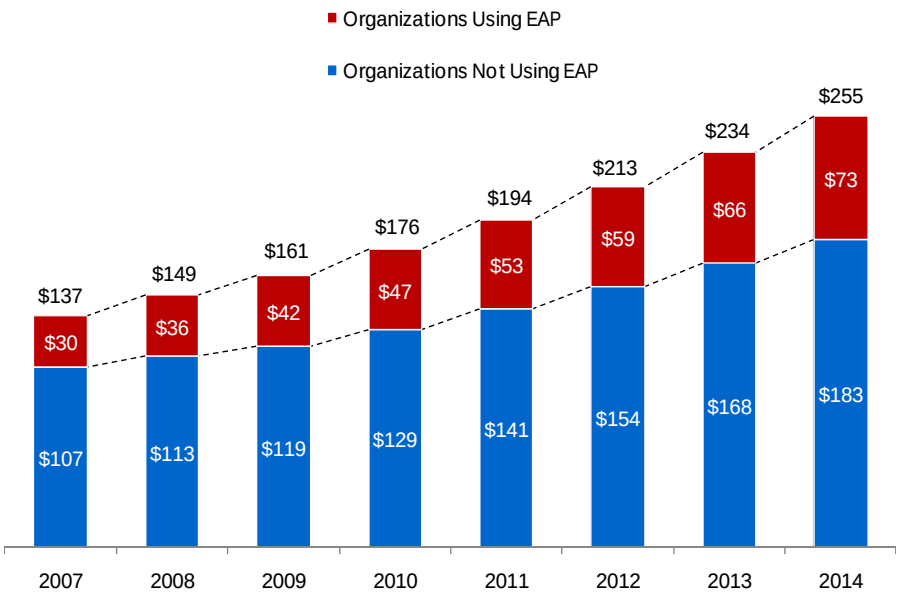
**Exhibit 57**
**Percent of Organizations Currently Considering Switching Card Issuers, by Organizations Using and Not Using EAP**



## North America Purchasing Card Spending by Organizations With and Without EAP

**Exhibit 58** breaks down the total purchasing card spending in North America by organizations that do and do not use EAP purchasing card accounts. The growth in purchasing card spending by organizations using EAP is significantly higher than that experienced by organizations that do not use EAP. As shown in Exhibit 58, actual and anticipated average annual purchasing card spending growth by organizations that use EAP is 20% over the 2007-2014 time period, which is double that of organizations that do not use EAP.

**Exhibit 58**
**Total Purchasing Card Spending in North America, by Organizations Using and Not Using EAP (in $ billions)**



## Conclusion

Electronic Accounts Payable purchasing cards are used at a small but quickly growing number of organizations. At present, 16.1% of respondents use EAP. By 2012, 48.8% are expected to use EAP. Though EAP-using organizations comprise 16.1% of respondents, they account for almost 26% of market spending on purchasing cards. Most EAP account use is relatively new– 52% of respondents have been using EAP for one year or less.

Organizations that use EAP purchasing card accounts have unique characteristics. First, they are more likely to have lower spending limits on plastic cards and restrict card use to a smaller set of employees. Second, they are more likely to house their purchasing card program in the Finance function, have card rebates and incentives as a primary purchasing card program goal, and purchase a wider array of goods and services on their cards than their non-EAP-using counterparts. The majority of organizations that use EAP indicate that EAP spending has had “little or no impact” on plastic purchasing card spending and that EAP purchases are for goods and services that are different from those acquired on plastic cards (in particular, transactions that are more expensive or requiring additional approvals/controls prior to payment). The EAP-enabled payment for goods has touched vendors that may not be well-acquainted or familiar with the card value proposition and exhibit some resistance to card acceptance.

By virtue of EAP use, organizations tend to increase their overall purchasing card spending. Using a sample of similar-sized organizations that either use or do not use EAP accounts, we find that EAP-using organizations reported 47% higher monthly purchasing card spending in total, but 15% less spending on plastic cards. Thus, we find that organizations that use EAP captured a lower percentage of their under $2,500 transactions on the purchasing card. There appears to be an opportunity for EAP organizations to encourage plastic card spending on low value purchases, perhaps by increasing plastic card distribution. These organizations may not increase spending dramatically but they can markedly improve the efficiency and cost savings associated with purchasing card use for high volume, low-value transactions.

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

06

# Card Program Use of Ghost Accounts

- *Characteristics of Ghost Account Spending*
- *Impact of Ghost Accounts on Purchasing Card Program Performance*
- *Ghost Accounts and Discounts*

# Card Program Use of Ghost Accounts

Ghost accounts—defined as "any arrangement in which a purchasing card account is held in trust by a vendor who charges to the account at your instructions" were developed almost as early as the plastic purchasing cards themselves. Ghost cards may exist in other forms and/or be defined in different ways in the market, including account numbers held by the end user (rather than the vendor) to pay invoices. Our survey classification of ghost card does not include these other forms or definitions of ghost card accounts.

The attractive aspect of the ghost card is that it empowers large numbers of employees to charge purchases without having a plastic purchasing card. In many cases, ghost cards also enable the organization to quickly and easily track and compare total organizational spending against agreed upon contractual levels required to obtain discounts from a vendor.

**Exhibit 59** shows that ghost accounts are used by about one-third of organizations with purchasing cards. They are more common at Fortune 500 Size companies (48.1%) and Large Market corporations (44.8%), as compared to Middle Market corporations (30.8%) and Government and Not-for-Profit entities (31.9%).

**Exhibit 59**
**Percent Using Ghost Cards, by Type of Organization, 2007-2009**

| | Percent of Organizations with Ghost Cards | |
|---|---|---|
| | 2007 | 2009 |
| Category | | |
| Fortune 500 Size | 46.8% | 48.1% |
| Large Market | 33.0% | 44.8% |
| Middle Market | 24.4% | 30.8% |
| Government and Not-for-Profit | 24.4% | 31.9% |
| All Respondents | 28.8% | 33.3% |

## Characteristics of Ghost Account Spending

**Exhibit 60** presents a summary of ghost account spending across all respondents to the 2009 Purchasing Card Benchmark Survey. The exhibit shows that average monthly spending on ghost accounts is $419,732. The top quartile ghost account spending is higher than $301,907. The midpoint on ghost account spending is $68,750 per month. The average ghost account transaction is for $542, almost two times larger than a typical plastic card transaction ($276) across the sample. An organization that uses ghost card accounts, on average, pays for 21% of all purchasing card spending with ghost accounts.

**Exhibit 60**
**Ghost Account Spending Norms for All Respondents, 2009**

| | 2009 |
|---|---|
| Average | $419,732 |
| Top quartile | $301,907 |
| Median | $68,750 |
| Bottom quartile | $14,000 |
| Average percent of total card program spending (on all card platforms) for organizations that use ghost accounts* | 21% |
| Average transaction amount | $542 |

* Across all respondents, ghost account spending accounts for 11% of purchasing card spending

## Impact of Ghost Accounts on Purchasing Card Program Performance

To determine the impact of ghost accounts on overall purchasing card program performance, we constructed two similar-sized groups of organizations, the first that used plastic cards only and the second that used plastic cards and ghost accounts. For further control, we eliminated any organizations that used Electronic Accounts Payable accounts. To improve comparability and hold constant for differences caused by the size of the respondent, the respondents in each sample group were restricted to organizations with between 1,000 and 31, 000 employees. **Exhibit 61** on the next page indicates that, in comparison to organizations that do not use ghost accounts, organizations that use ghost accounts report:

- 31% higher average monthly purchasing card spending ($1.4 million versus $1.0 million) and 61% higher median monthly purchasing card spending ($682,045 versus $424,500),

- 9% higher monthly purchasing card spending per employee ($202 versus $186),

- 10% higher monthly spending per plastic card in the organization ($1,704 versus $1,549), driven by an 11% higher average transaction amount ($292 versus $264), and

- a similar of percentage of under $2,500 transactions being paid by purchasing cards (44% versus 45%) and an almost similar percentage of higher value transactions paid by purchasing cards (22% versus 25%).

**Exhibit 61**
**Organizational and Card Program Performance Metrics by Organizations Using Plastic Cards and Ghost Accounts or Plastic Cards Only (for Organizations with 1,000 to 31,000 employees)**

*(all numbers are averages except where indicated otherwise)*

| | Plastic and Ghost Accounts | Plastic Only | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 6,819 | 5,638 | 21% |
| Age of program | 7.87 | 7.35 | 7% |
| **Program Performance Measures** | | | |
| Number of plastic purchasing cards | 807 | 676 | 19% |
| Card-to-employee ratio | 11.8% | 12.0% | -2% |
| Average monthly p-card spending | $1,375,603 | $1,047,937 | 31% |
| Median monthly p-card spending | $682,045 | $424,500 | 61% |
| Transactions under $2,500 placed on p-card | 44% | 45% | -2% |
| Transactions between $2,500 and $10,000 placed on p-card | 22% | 25% | -16% |
| Monthly spending per employee | $202 | $186 | 9% |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 5.83 | 5.87 | -1% |
| Spending per transaction | $292 | $264 | 11% |
| Monthly spending per card | $1,704 | $1,549 | 10% |
| Inactive cards in a typical month | 21% | 20% | 5% |

* Cardholder activity measures in this table divide total purchasing card spending (on all card types) by the number of plastic cards. A breakout of spending on each card type is included in Exhibit 61.

**Exhibit 62** on the next page examines purchasing card spending for respondents that either use or do not use ghost accounts (described in Exhibit 61) in greater detail. The exhibit shows a breakdown of average monthly purchasing card spending, transactions, average transaction amounts, and monthly spending per employee by type of card platform (plastic, ghost, and other). Exhibit 62 indicates that, in comparison to organizations that do not use ghost accounts, organizations that use ghost accounts report:

- monthly spending on ghost accounts of $350,227, based on 693 transactions at an average amount of $505.37,
- 19% more purchasing card transactions per month (4,703 versus 3,968), almost entirely due to the use of ghost accounts, and
- 18% lower average monthly spending per plastic card ($1,260 versus $1,536), apparently driven by the fact that organizations without ghost cards are driving more spending to the plastic option.

The net effect of this difference is that organizations that use ghost accounts report 31% higher average monthly purchasing card spending and 9% higher monthly purchasing card spending per employee ($202 versus $186).

**Exhibit 62**
**Detailed Card Program Performance Metrics by Organizations Using Plastic Cards and Ghost Accounts or Plastic Cards Only (for Organizations with 1,000 to 31,000 employees)**

| | Plastic and Ghost Accounts | Plastic Only | Percent Difference |
|---|---|---|---|
| **Total Monthly Spending by Card Type** | | | |
| Plastic cards | $1,016,963 | $1,039,036 | -2% |
| Ghost accounts | $350,227 | NA | NA |
| Electronic AP | NA | NA | NA |
| Other purchasing card accounts | $8,412 | $8,901 | -5% |
| Total | $1,375,603 | $1,047,937 | 31% |
| **Monthly Transactions by Card Type** | | | |
| Plastic cards | 3,989 | 3,934 | 1% |
| Ghost accounts | 693 | NA | NA |
| Electronic AP | NA | NA | NA |
| Other purchasing card accounts | 21 | 34 | -38% |
| Total transactions | 4,703 | 3,968 | 19% |
| **Spending per Transaction by Card Type** | | | |
| Plastic cards | $255 | $264 | -3% |
| Ghost accounts | $505 | NA | NA |
| Electronic AP | NA | NA | NA |
| Other purchasing card accounts | $394 | $235 | 68% |
| **Monthly Spending per Employee by Card Type** | | | |
| Plastic cards | $149 | $184 | -19% |
| Ghost accounts | $51 | NA | NA |
| Electronic AP | NA | NA | NA |
| Other purchasing card accounts | $1 | $2 | -50% |
| Total | $202 | $186 | 9% |
| **Average Monthly Activity on Plastic Cards** | | | |
| Transactions per card | 4.94 | 5.82 | -15% |
| Spending per transaction | $255 | $264 | -3% |
| Spending per card | $1,260 | $1,536 | -18% |

## Ghost Accounts and Discounts

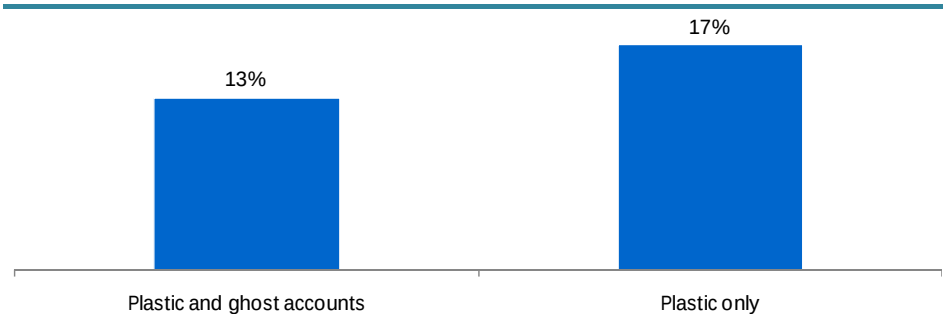
As noted in the introduction of this section, ghost cards can be used to enable the organization to quickly and easily track and compare total organizational spending with a particular vendor against agreed upon contractual levels required to obtain discounts. **Exhibit 63** shows that respondents that use ghost accounts are more likely to use purchasing card spending data to obtain a discount for goods or services from a vendor (41% versus 24% for plastic card only programs), and are more likely to negotiate a higher discount because of the use of purchasing card data (72% versus 51% for plastic only programs). These finding are consistent with the fact that over half of the respondents obtaining higher vendor discounts (in absolute terms, greater than 3%) used ghost accounts, as discussed earlier in the section entitled, "The Impact of Purchasing Cards on Organizational Cost and Efficiency".

**Exhibit 63**
**Use of Card Data for Vendor Discounts by Organizations Using Plastic Cards and Ghost Accounts or Plastic Cards Only (for Organizations with 1,000 to 31,000 employees)**

| | Plastic and Ghost Accounts | Plastic Only |
|---|---|---|
| Use p-card spending data to obtain discount for goods or services from vendors | 41% | 24% |
| Negotiated higher discounts as a result of the use of p-card data | 72% | 51% |

**Exhibit 64** shows that the organizations that use ghost accounts are modestly less likely to be considering switching card issuers than organizations that use plastic cards only (13% versus 17%).

**Exhibit 64**
**Intent to Switch by Organizations Using Plastic Cards and Ghost Accounts or Plastic Cards Only (for Organizations with 1,000 to 31,000 employees)**




## Conclusion

Ghost accounts are used by one-third of organizations with purchasing cards. They are commonly used at all types of organizations. The attractive aspect of the ghost card is that it empowers large numbers of employees to charge purchases without having a plastic purchasing card. In many cases, ghost cards also enable the organization to quickly and easily track and compare total organizational spending against agreed upon contractual levels required to obtain discounts from a vendor.

Average (median) monthly spending on ghost accounts is $419,732 ($68,750) per month. The average ghost account transaction is for $542, almost two times larger than a typical plastic card transaction ($276) across the sample. The typical organization that uses ghost card accounts pays for 21% of all purchasing card spending with this account.

In comparison to purchasing card programs that only use plastic cards, it does not appear that ghost cards affect the basic configuration and controls over the purchasing card program (e.g., no differences were found in card distribution patterns or control activities). However, ghost accounts do drive 9% higher spending per employee. Further, ghost account-using organizations are notably more likely to use purchasing card spending data to obtain a discount for goods or services from a vendor, and are more likely to negotiate a higher discount because of the use of purchasing card data.

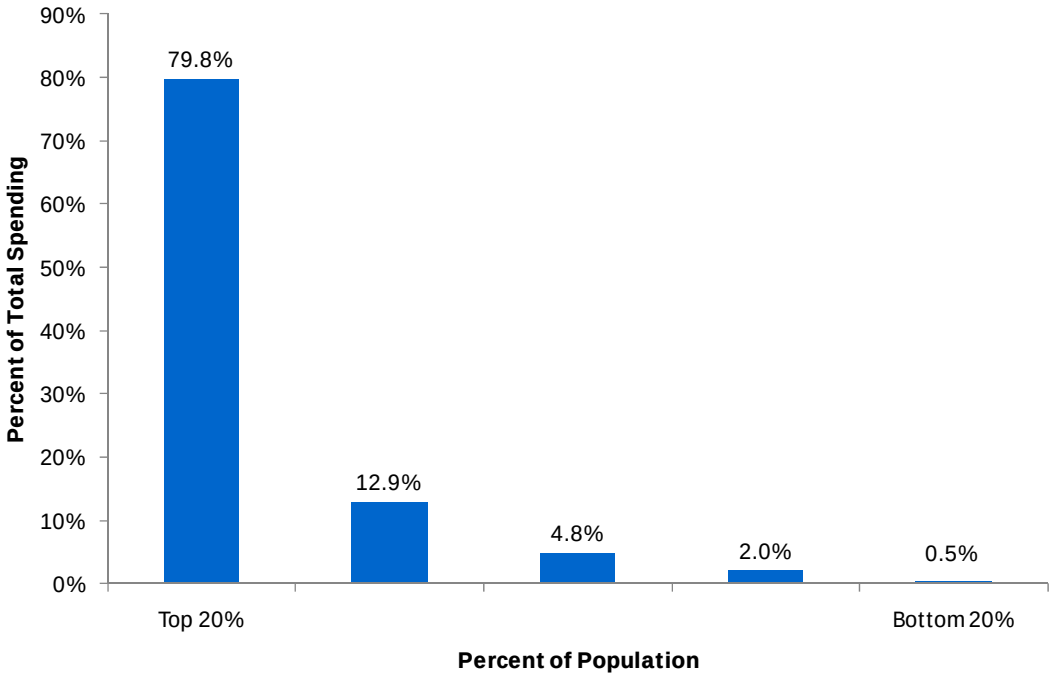
# Best Practice: Key Program Performance Measures

- *A Framework for Understanding Purchasing Card Program Performance*
- *Our "Best Practice" Criteria: How We Evaluate and Categorize the Performance of Respondents*
- *Best Practice: Key Organizational and Program Performance Statistics*

# Best Practice: Key Program Performance Measures

The exact benefits of purchasing cards can differ by organization. Differences in business and industry practices, governmental regulations, tax laws, accounting and reporting systems, human resource practices, organizational cultures, and purchasing card program leadership affect the value delivered by the purchasing card. Moreover, different applications of the purchasing card create different benefits. Most importantly, the beneficial impact of purchasing cards on organizational efficiency is not equally experienced by all organizations. **Exhibit 65** shows that 80% of the overall purchasing card spending reported in 2009 (as represented in the brown leftmost bar of the graph) was captured by 20% of the respondent base. In fact, the top 40% of respondents generate almost 92.7% of total purchasing card spending while the bottom 60% generate 7.3% of total spending.

**Exhibit 65**
**Distribution of Purchasing Card Spending by Percentage of All Respondents**



**Exhibits 65(a)**, **65(b)**, **65(c),** and **65(d)** show that the top 40% of respondents account for approximately 80% of total purchasing card spending within the Fortune 500 Size, Large Market, and Middle Market categories and over 90% of the Government and Not-for-Profit segment. This diversity in spending patterns reflects great potential for growth for many card programs. Specifically, purchasing card spending for the bottom 60% of respondents in any given size category can be increased significantly by application of best practice card program tools that would help them to be similar to the top 40% of respondents in their size category.

Exhibits 65 (a), (b), (c), and (d) also illustrate that the top 40% of card programs generate more than 80% of the total $161 billion North America purchasing card spending in 2009 (or about $129 billion) with the remaining 60% of card programs contributing the other 20% (or $32 billion) of the total market spending. If these bottom 60% of purchasing card programs were to behave like the top 40%, it would more than double the current overall level of North American purchasing card spending.

**Exhibit 65(a)**
**Distribution of Purchasing Card Spending by Fortune 500 Size Respondents**

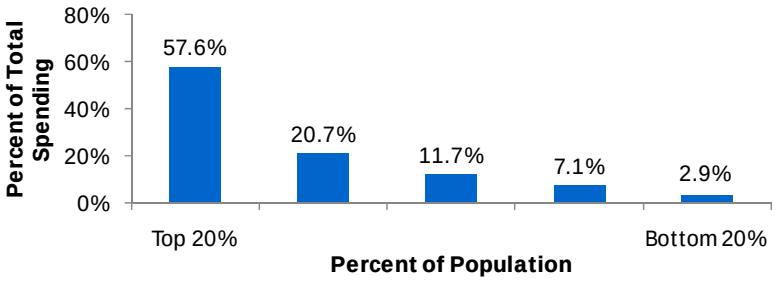



**Exhibit 65(b)**
**Distribution of Purchasing Card Spending by Large Market Respondents**

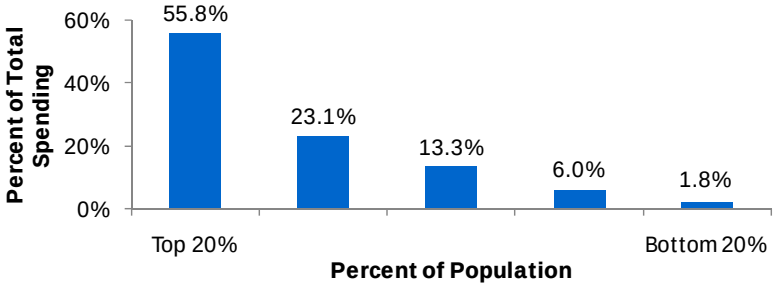



**Exhibit 65(c)**
**Distribution of Purchasing Card Spending by Middle Market Respondents**

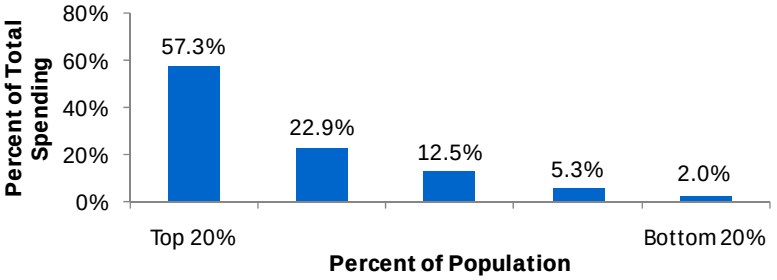
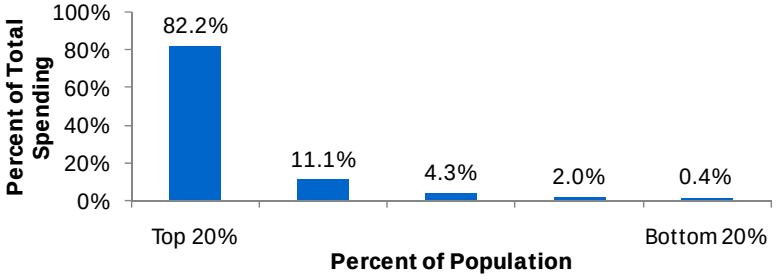


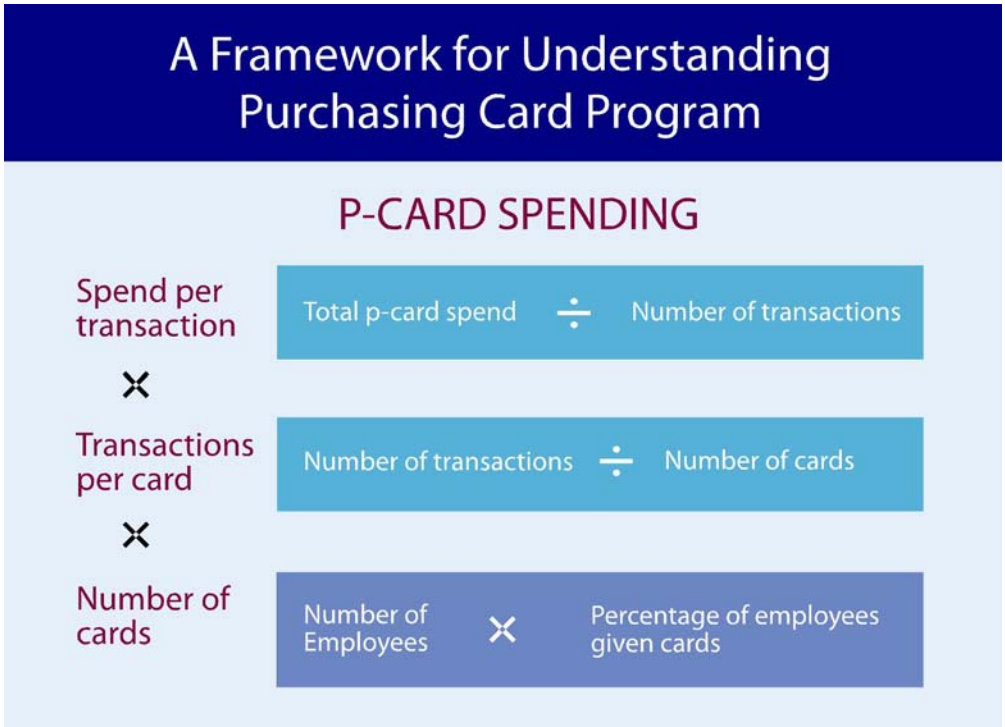

**Exhibit 65(d)**
**Distribution of Purchasing Card Spending by Government and Not-for-Profit Respondents**



## A Framework for Understanding Purchasing Card Program Performance

The underlying differences in purchasing card program performance can be understood in terms of a few key measures of purchasing card use. Fundamentally, there are three key performance measures (shown in **Exhibit 66**) that form the framework necessary to understand organizational purchasing card spending. They are the number of cards, card transaction activity, and average transaction (or "ticket") size. The multiplication of these elements yields monthly purchasing card spending and provides insight into card program performance. The framework illustrates how organizations can make trade-offs to improve their purchasing card program. For example, the number of active cards in an organization is a function of the number of employees, the percent of employees given a purchasing card, and of those employees given a purchasing card, the percent who use the card to acquire goods or services. Thus, increases in the raw number of active cards can be accomplished by either giving a larger percentage of employees a purchasing card or by taking measures to ensure that employees actually use the purchasing cards already in their possession. Similarly, the number of transactions per card and the average transaction amount can be influenced by increasing or decreasing restrictions on the types of goods and services that may be purchased, the vendor from whom goods and services may be purchased, or the transaction dollar amount of a purchase.

**Exhibit 66**
**A Framework for Understanding Purchasing Card Program Performance**



The framework also provides insight as to why successful purchasing card programs may differ in their approach to card program management. Since the key performance measures are multiplicative, organizations can make trade-offs to achieve their specific purchasing card spending goals. For example, an organization can have a relatively large base of cardholders who individually engage in a modest number of transactions. Collectively, this adds up to a high dollar value of organizational spending. We call this the *decentralized card distribution* model. This model maximizes the potential for work reduction in Purchasing by moving low dollar purchases out of the Purchasing function.

By contrast, an organization can give cards to a relatively small number of employees. In this case, the organization may distribute few cards, but each card may be associated with a high number of transactions and/or high average ticket amounts that ultimately increase overall organizational spending. We call this the *centralized card distribution* model. We will examine how different organizational choices affect purchasing card spending by impacting key elements of the purchasing card spending framework.

The framework for purchasing card program performance will guide our investigation into "best practice" purchasing card use.

## Our "Best Practice" Criteria: How We Evaluate and Categorize the Performance of Respondents

The primary and enduring value proposition of the purchasing card involves the improvement of administrative efficiency in the procure-to-pay process (for more details see Section 4, "The Impact of Purchasing Cards on Organizational Cost and Efficiency" above). Thus, a principle goal of this study is to gain insight into the drivers that shift transactions to the purchasing card. To better understand these drivers, we identify and define a "best practice" (hereafter, BP) group of purchasing card programs as those that have reported at least one top quartile (and no bottom quartile) metric across four key purchasing card program performance measures, including:

- percentage of under $2,500 transactions paid by purchasing card,
- percentage of $2,500 to $10,000 transactions paid by purchasing card,
- purchasing card spending as a percent of annual sales revenue (or budget), and
- purchasing card spending per employee.

The activities of this group will define the core of "best practice" in purchasing card programs throughout this report.

A second “needs improvement” (hereafter, NI) group is also assembled from respondents. This group is the reverse image of BP, to wit: purchasing card programs in which at least one of the four performance metrics is found to be in the bottom quartile and none in the top quartile. The activities of this group will be used to define underperforming purchasing card programs throughout this Report.

Both the BP and NI groups include organizations of all types--no effort was made to discriminate by industry, type, or size of organization. Collectively, the BP and NI groups account for about 47% of all respondent organizations, with nearly 24% of the entire sample in each group. The next six sections of this Report will address card distribution and key program performance measures aspects of “best practice” programs.

## Best Practice: Key Organizational and Program Performance Statistics

**Exhibit 67** on the next page reveals that, despite being similar in terms of headcount and age of purchasing card program, “best practice” (BP) purchasing card programs report:

- about 5 times the average monthly purchasing card spending as the “needs improvement (NI) group ($2.1 million versus $425,938),
- about 6 times the median amount of monthly purchasing card spending as the NI group ($860,276 versus $139,746 for NI),
- (on average) over twice as many purchasing card accounts (979 versus 402 for NI),
- a significantly higher purchasing card-to-employee ratio (19.8% versus 7.7% for NI),
- average monthly cardholder spending that is over twice that of the NI group ($2,126 versus $1,060 for NI), driven by a higher average transaction amount ($309 versus $225) and more active monthly utilization of the purchasing card (6.87 versus 4.72 transactions), and
- a modestly higher percentage of “active” purchasing cards in an average month than the NI group (84% versus 79%).

While the method for selecting membership in the BP and NI groups was based, in part, on transaction capture and purchasing card spending per employee, it remains worthy of mention that the groups are far apart on these performance metrics (e.g., BP monthly purchasing card spending per employee is $422 while NI is $82).

**Exhibit 67**
**Organizational and Purchasing Card Program Differences between the Best Practice and Needs Improvement Groups**

*(all numbers are averages except where indicated otherwise)*

| | Best Practice Group | Needs Improvement Group | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 4,935 | 5,226 | -6% |
| Age of program (years) | 7.26 | 6.14 | 18% |
| **Program Performance Measures** | | | |
| Number of plastic purchasing cards | 979 | 402 | 144% |
| Purchasing card-to-employee ratio | 19.8% | 7.7% | 158% |
| Average monthly p-card spending | $2,081,611 | $425,938 | 389% |
| Median monthly p-card spending | $860,276 | $139,746 | 516% |
| Transactions under $2,500 placed on p-card | 67% | 18% | 269% |
| Transaction between $2,500 and $10,000 placed on p-card | 47% | 5% | 865% |
| Monthly p-card spending per employee | $422 | $82 | 418% |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 6.87 | 4.72 | 46% |
| Spending per transaction | $309 | $225 | 38% |
| Monthly spending per card | $2,126 | $1,060 | 101% |
| Active cards in a typical month | 84% | 79% | 6% |

## Conclusion

A principle goal of this study is to gain an understanding of the drivers that shift transactions to the purchasing card. To better understand these drivers, we identify and define a “best practice” (hereafter, BP) group of purchasing card programs based on four key criteria: percentage of under $2,500 transactions paid by purchasing card, percentage of $2,500 to $10,000 transactions paid by purchasing card, purchasing card spending as a percent of annual sales revenue (or budget), and purchasing card spending per employee. The activities of this group will define the core of “best practice” in purchasing card programs throughout this Report.

Overall, BP organizations significantly outperform NI organizations in purchasing card spending—in total, per employee, and per card. Some of the differences (e.g., card distribution) between BP and NI indicate deep and abiding differences in the philosophy and execution of the purchasing card program which will be investigated in the remaining Best Practice sections of this Report. Two main drivers of purchasing card program success, cardholder activity and card distribution, will be examined in the next two sections.

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

08

# Best Practice: Card Distribution and Card Account Types

- *Card Distribution*
- *Relationship between Purchasing Card Distribution and Card Spending by Organizational Type*
- *Best Practice Card Distribution across Organizations of Differing Size*
- *Card Account Types and Use*
- *Use of Electronic Accounts Payable*
- *The Net Effect*

# Best Practice: Card Distribution and Card Account Types

Organizations have a variety of ways to support the growth of the purchasing card program while maintaining a cost-beneficial level of accountability and control over organizational spending.

## Card Distribution

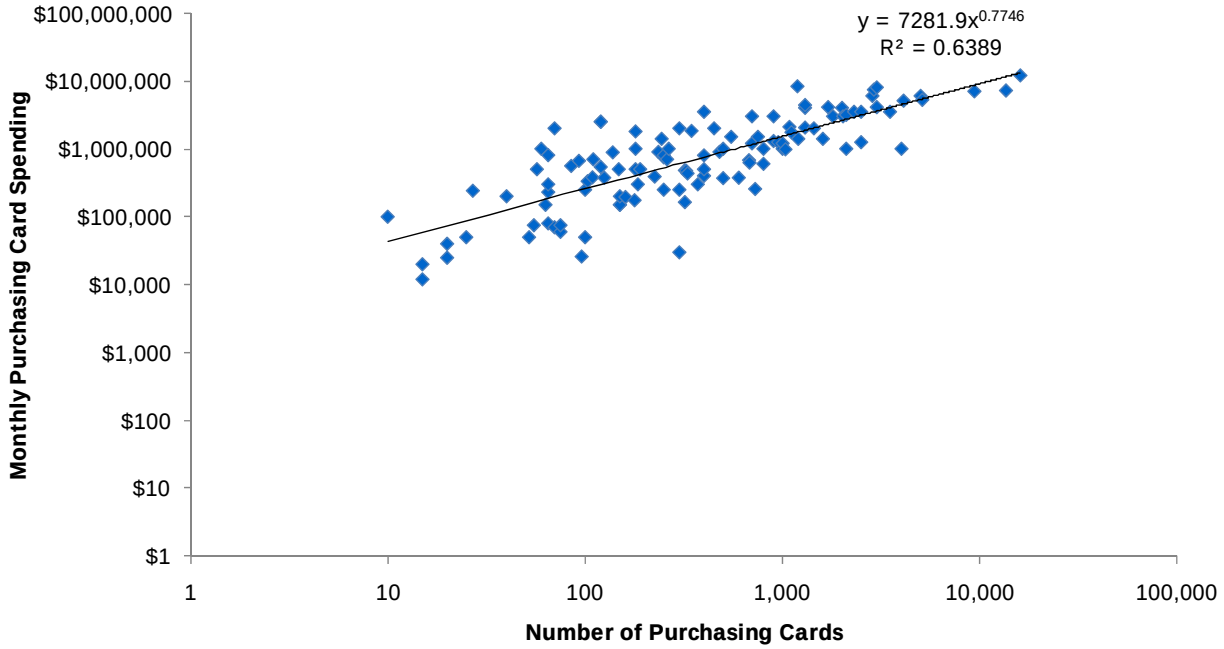
The first line of control over purchasing card spending and a key ingredient of card program success is card distribution. When comparing purchasing card program performance of "best practice" (BP) and "needs improvement" (NI) organizations in Exhibit 66 of the previous section, we found that BP programs distributed, on average, about twice as many cards as underperforming organizations (an average of 979 versus 402 cards). As a percent of the employee base, the difference is even starker, with high performance organizations providing 19.8% of the employee base with purchasing cards, while underperforming organizations provide only 7.7% of their employee base with cards.

**Exhibit 68(a)** on the next page is designed to provide a clear picture of the relationship between card distribution and purchasing card spending. Exhibit 68(a) plots the relationship between monthly purchasing card spending and the number of purchasing cards of Fortune 500 Size and Large Market corporations in the 2009 survey. To control for card type bias, companies that have purchasing card account types other than plastic were excluded from this analysis. The trend line layered over the data points of the exhibit reflects the following statistical association between monthly card spending and the number of purchasing cards:

$$Y = 7{,}281.9 * X^{.7746}$$

where: Y = Monthly p-card spending
X = Number of p-cards

**Exhibit 68(a)**
**Relationship between the Number of Purchasing Cards and Monthly Purchasing Card Spending at Fortune 500 Size and Large Market Companies**




Mathematically, the relation implies that a 100% increase in the number of purchasing cards (say from 1,000 to 2,000) is associated with a 71% increase in total monthly spending on the cards (from $1.5 million to $2.6 million).[7] Notwithstanding the strong relationship between the number of purchasing cards and organizational purchasing card spending, simply a liberal distribution of cards is not a guarantor of program success. Management support, training, proper control structures, and appropriate resource allocation are also necessary to create the environment that is essential to the success of a purchasing card program.

## Relationship between Purchasing Card Distribution and Card Spending by Organizational Type

The relationship documented in Exhibit 68(a) can change based on the size and nature of the organization. **Exhibit 68(b)** on the next page presents a matrix of predicted spending for corporations, governmental entities, and universities based on the number of purchasing cards distributed in their respective organizations. The predictions are based

[7] The $R^2$ (coefficient of determination) statistic in Exhibit 68(a) is a measure of the strength of the association between the number of purchasing cards and monthly purchasing card spending. The *highest possible* $R^2$ value is 100% (where monthly spending would move in perfect proportion to the number of purchasing cards given to employees). The $R^2$ statistic for the model is 0.64, indicating that 64% of the variability in monthly purchasing card spending across respondents can be statistically explained by the number of cards.

on unique spending relationships calculated for each group of respondents in a manner similar to the analysis associated with Exhibit 68(a). As shown in Exhibit 68(b), the most prolific users of purchasing cards in the private sector across all levels of card distribution are Fortune 500 Size organizations. A typical Fortune 500 company with 2,000 purchasing cards, for example, is projected to generate about $2.8 million of monthly purchasing card spending. Among Government and Education sector organizations, Federal government agencies are the most prolific users of purchasing cards. On average, a Federal government agency with 1,000 purchasing cards is projected to generate about $2.1 million of monthly purchasing card spending.

**Exhibit 68(b)**
**Relationship between Purchasing Card Distribution and Monthly Card Spending by Respondent Category (in $ thousands)**

| | Corporations | | | Government and Education | | | | |
|---|---|---|---|---|---|---|---|---|
| Number of Plastic P-Cards | Fortune 500 Size | Large Market | Middle Market | Universities | City & County Government | State Government and State Government Agencies | Federal Government Agencies | School Districts |
| 500 | $1,497 | $559 | $410 | $662 | $503 | $453 | N/A | $381 |
| 1,000 | $2,077 | $791 | $593 | $1,347 | $1,096 | $825 | $2,061 | $707 |
| 1,500 | $2,516 | $969 | $736 | $2,042 | $1,728 | $1,171 | $3,134 | $1,016 |
| 2,000 | $2,883 | $1,119 | $859 | $2,743 | $2,387 | $1,502 | $4,219 | N/A |
| 2,500 | $3,204 | $1,251 | $967 | $3,449 | $3,067 | $1,822 | $5,313 | N/A |
| 3,000 | $3,492 | $1,371 | N/A | $4,158 | N/A | $2,133 | $6,415 | N/A |
| 5,000 | $4,446 | N/A | N/A | $7,022 | N/A | $3,317 | $10,876 | N/A |
| 10,000 | $6,171 | N/A | N/A | N/A | N/A | N/A | $22,262 | N/A |

* Best fit formulas for group specific models as follows, where X=number of cards:

| | |
|---|---|
| Fortune 500 Size | $79{,}208*X^{0.4729}$ |
| Large Market | $24{,}946*X^{0.5004}$ |
| Middle Market | $14{,}840*X^{0.5339}$ |
| Universities | $1{,}126.4*X^{1.0259}$ |
| City/County Government | $467.85*X^{1.1232}$ |
| State Government | $2{,}100.1*X^{0.8647}$ |
| Federal Government | $1{,}635.2*X^{10335}$ |
| School Districts | $1{,}480*X^{0.8931}$ |

## Best Practice Card Distribution across Organizations of Differing Size

Our data supports the claim that purchasing card distribution is one of the main drivers of successful purchasing card programs. Exhibit 67 in the previous section showed that BP organizations distribute purchasing cards to 19.8% of their employees, while NI organizations do so to only 7.7% of their employees. **Exhibit 69** shows that higher (lower) card distribution exists among BP (NI) organizations of all sizes. BP (NI) organizations with less than one thousand employees distribute purchasing cards to 42.6% (19.9%) of the employee base; BP (NI) organizations with 1,000 to 9,999 employees distribute purchasing cards to 21.9% (10.1%) of the employee base; and BP (NI) organizations with 10,000 or more employees distribute purchasing cards to 17.4% (5.9%) of the employee base. Thus, we see that the percentage of employees given a purchasing card decreases as the number of employees increases, but across all size categories marked differences exist between BP and NI organizations. In the case of large organizations (those with more than 10,000 employees), there is an almost three-fold difference in the card-to-employee ratio between BP and NI organizations (5.9% for NI, 17.4% for BP).

**Exhibit 69**
**Plastic Purchasing Card Distribution of BP and NI Organizations, by Organization Size**

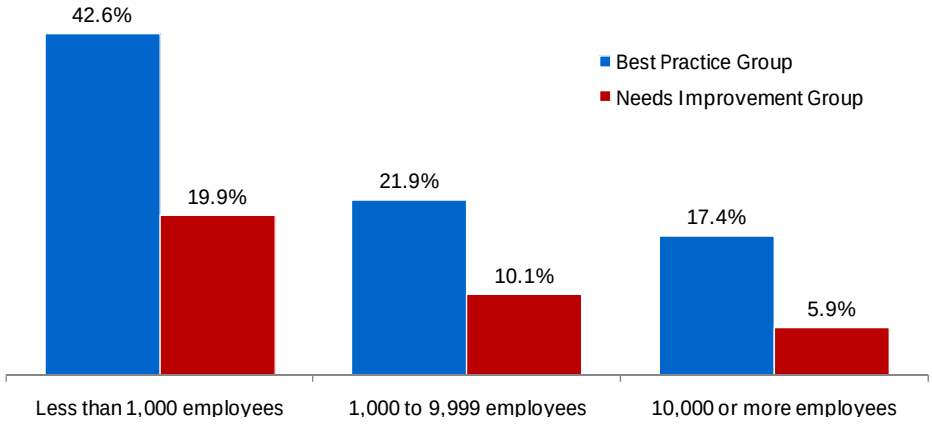



**Exhibit 70** on the next page examines the key performance measures of two equal size groups of purchasing card programs extracted from organizations with 1,000 to 5,000 employees that responded to the 2009 Survey. The first group includes organizations with card distribution that is above and the second group includes organizations with card distribution that is below the median card distribution percentage for the sample (the median is 12.9% of employees provided with a purchasing card).

The exhibit shows that purchasing card programs with high card distribution significantly outperform their low card distribution counterparts. The average and median monthly purchasing card spending and transactions at high card distribution organizations is approximately twice the level of similar-sized organizations with low card distribution. Likewise, purchasing card spending per employee is nearly two times larger in the high card distribution group. Card distribution also takes a relatively bigger bite out of paperwork--the percentage of under $2,500 and $2,500 to $10,000 transactions paid by purchasing cards is higher in the high card distribution group. Consistent with expectations under a centralized card distribution model, the low card distribution group shows monthly spending per card that is 3 times and transactions per card that are 1.5 times the level of the high card distribution group. However, higher spending on a much smaller number of purchasing cards is not translating into higher total organizational spending.

**Exhibit 70**
**Purchasing Card Program Performance Differences between Similar Size Organizations with Above and Below Median Purchasing Card-to-Employee Ratios**

*(all numbers are averages except where indicated otherwise)*

| | Above Median Card Distribution Group | Below Median Card Distribution Group | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 2,458 | 2,586 | -5% |
| **Program Performance Measures** | | | |
| Number of purchasing cards | 754 | 139 | 442% |
| Purchasing card-to-employee ratio | 30.7% | 5.4% | 470% |
| Average monthly p-card spending | $990,278 | $543,549 | 82% |
| Median monthly p-card spending | $628,230 | $300,000 | 109% |
| Transactions under $2,500 placed on p-card | 50% | 38% | 32% |
| Transaction between $2,500 and $10,000 placed on p-card | 25% | 22% | 10% |
| Monthly spending per employee | $403 | $210 | 92% |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 6.41 | 9.60 | -33% |
| Spending per transaction | $205 | $408 | -50% |
| Monthly spending per card | $1,314 | $3,911 | -66% |
| Active cards in a typical month | 78% | 83% | -6%% |

## Card Account Types and Use

Purchasing card accounts represent a delegation of decision rights given to the employees permitted to use those accounts. In most cases, employees are given plastic cards to carry in their wallet or purse and use as needed. However, purchasing card

technology has other incarnations (e.g., ghost and electronic accounts payable accounts). The appropriate blend and use of the different purchasing card types is another driver of a successful purchasing card program. **Exhibit 71** reflects respondent use of different card types by BP and NI card programs. The exhibit shows that, in comparison to NI purchasing card programs, BP organizations are more likely to use ghost card (38.6% versus 28.6%) and electronic AP (EAP) accounts (23.7% versus 12.3%) and more likely to drive higher levels of spending to those accounts.

**Exhibit 71**
**Card Account Types of Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Distribution of Plastic Cards** | | |
| P-card-to-employee ratio | 19.8% | 7.7% |
| **Types of Card Accounts Used by Organizations** | | |
| % using plastic p-cards | 99.6% | 99.1% |
| % using ghost card accounts | 38.6% | 28.6% |
| % with EAP cards | 23.7% | 12.3% |
| % with other types of p-card accounts | 6.6% | 7.9% |
| **Percent of Purchasing Card Spending by Type of Card Account** | | |
| Plastic p-cards | 80.2% | 83.6% |
| Ghost accounts | 13.0% | 11.3% |
| EAP cards | 6.3% | 3.9% |
| Other accounts | 0.5% | 1.2% |

## Use of Electronic Accounts Payable

BP and NI programs are similar in that the majority of respondents in each group use EAP to acquire goods and services that are different from the types of goods and services purchased with plastic purchasing cards. However, BP and NI programs tend to differ in how EAP purchases are distinguished from those made on plastic cards. As shown on the next page in **Exhibit 72,** EAP purchases at BP programs are more likely to be for goods of a higher dollar value (68% BP, 41% NI) or for transactions requiring additional approvals/controls prior to payment (50% BP, 40% NI). By contrast, NI program EAP purchases are more likely to be for services which are not allowed to be paid by plastic purchasing cards (60% NI, 21% BP).

**Exhibit 72**
**Use of EAP Accounts in Comparison with Plastic Purchasing Cards, by Best Practice and Needs Improvement Groups**

| Compared to Purchasing on Plastic P-Cards, EAP Purchases are: | Best Practice Group | Needs Improvement Group |
|---|---|---|
| For purchases of goods of higher dollar value | 68% | 41% |
| For transactions requiring additional approvals/controls prior to payment | 50% | 40% |
| For services which are not allowed to be paid by plastic p-cards | 21% | 60% |
| For purchases from vendors with whom the organization conducts a high number of transactions | 54% | 60% |

## The Net Effect

The net effect of organizational choices regarding the types of purchasing card counts to deploy throughout the organization is shown in **Exhibit 73** below. Exhibit 73 presents a detailed breakdown of the "average" portfolio of purchasing card program spending by BP and NI programs (shown in Exhibit 67 in the previous section). The breakdown explodes spending into the averages of its components parts--plastic, ghost, EAP, and other. The exhibit shows that, in comparison to NI programs, BP purchasing card programs as a group:

- spend over four times as much spending on plastic cards,
- spend over five times as much spending on ghost accounts,
- spend over seven times as much spending on EAP accounts,
- conduct over 3 times as many transactions on plastic cards, over twice as many ghost account transactions, and over 8 times as many EAP transactions,
- conduct 47% more monthly transactions per plastic card, and
- report a 31% higher average transaction amount on plastic card purchases.

**Exhibit 73**
**Purchasing Card Program Performance Metrics by Card Types at Best Practice and Needs Improvement Programs**

| | Best Practice | Needs Improvement | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 4,935 | 5,226 | -6% |
| Number of plastic p-cards | 979 | 402 | 144% |
| **Total Monthly Spending by Card Type*** | | | |
| Plastic cards | $1,669,855 | $356,104 | 369% |
| Ghost accounts | $270,338 | $48,072 | 462% |
| Electronic AP | $130,795 | $16,732 | 682% |
| Other purchasing card accounts | $10,623 | $5,029 | 111% |
| Total | $2,081,611 | $425,938 | 389% |
| **Monthly Transactions by Card Type** | | | |
| Plastic cards | 6,136 | 1,712 | 258% |
| Ghost accounts | 337 | 131 | 157% |
| Electronic AP | 234 | 28 | 736% |
| Other purchasing card accounts | 23 | 25 | -8% |
| Total | 6,730 | 1,897 | 255% |
| **Spending per Transaction by Card Type** | | | |
| Plastic cards | $272 | $208 | 31% |
| Ghost accounts | $803 | $366 | 119% |
| Electronic AP | $560 | $592 | -5% |
| Other purchasing card accounts | $465 | $203 | 129% |
| **Average Monthly Activity on Plastic Cards** | | | |
| Transactions per card | 6.27 | 4.26 | 47% |
| Spending per transaction | $272 | $208 | 31% |
| Spending per card | $1,706 | $886 | 93% |
| **Monthly Spending per Employee by Card Type** | | | |
| Plastic cards | $338 | $68 | 397% |
| Ghost accounts | $55 | $9 | 511% |
| Electronic AP | $27 | $3 | 800% |
| Other purchasing card accounts | $2 | $1 | 100% |
| Total | $422 | $82 | 415% |

## Conclusion

BP organizations benefit from deploying a greater number of plastic cards and a wider array of other card options to achieve their purchasing card program goals. In comparison to NI program, BP programs have over twice as many plastic cards, are twice as likely to use EAP, and 50% more likely to use ghost accounts. On these accounts, BP organizations spend over four times as much spending on plastic cards, over five times as much on ghost accounts, and over seven times as much on EAP accounts.

# **Innovation** at Work

## Customers share their "best practices"

## CARD DISTRIBUTION

- "[We do not] limit the cards to certain positions or responsibilities."
  *Card Program Administrator,*
  *Fortune 500 Size manufacturing company*

- "To identify employees in need of a purchasing card, we…identify employees and review the number of Purchase Requisitions and Purchase Orders."
  *Director of Purchasing,*
  *Middle market manufacturer*

- "Issuing more cards, getting buy-off from [top management], and forcing the agency to grow [card use]."
  *Financial Analyst,*
  *State government agency*

- "Distribution of cards to the level of need; always looking to expand use."
  *Senior Contract Specialist,*
  *Federal government agency*

- "Encouraging cost center approver to put card in the hands of the individuals who have purchasing needs on a frequent basis and educating the approver in the types of transactions that can be processed on the card."
  *Purchase Card Administrator,*
  *School district*

- "Providing cards to anyone responsible for a budget allows people to source and pay for the exact goods they require."
  *Purchasing Supervisor,*
  *School district*

> We are all inventors, each sailing out on a voyage of discovery, guided each by a private chart, of which there is no duplicate. The world is all gates, all opportunities.
>
> **Ralph Waldo Emerson**

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

09

# Best Practice: Spending Limits and Cardholder Activity

- *Spending Limits*
- *Dual Effect of Higher Spending Limits*
- *Purchasing Card Program Performance, Transaction Limits, and Card Distribution*

# Best Practice: Spending Limits and Cardholder Activity

Along with purchasing card distribution, cardholder activity is one of the main drivers of purchasing card program success. However, cardholder activity is often restricted by the spending limits imposed on purchasing cards. The purpose of this section is to examine the extent to which BP and NI programs are affected by spending limits and cardholder activity.

## Spending Limits

The differences between organizations with high and low transaction capture may be explained, in part, by purchasing card spending limits. Card spending limits may inhibit purchasing card program growth by limiting potential transaction activity and reducing the average ticket size. Almost, 73% of respondents currently enforce "per transaction" spending limits. The most frequent per transaction limit category (identified by 35% of respondents) is a range between $1,001 and $2,500. However, 37% of respondents identified a lower and 28% a higher category of per transaction limits. **Exhibit 74** on the next page indicates that per transaction limits are significantly different between BP and NI purchasing card programs. Of the organizations enforcing a per transaction spending limit, 83% of NI but only 52% of BP purchasing card programs have a transaction spending limit that $2,500 or below. Conversely, 48% of BP but only 17% of NI purchasing card programs have per transaction spending limits above $2,500. The average per transaction spending limit for the BP group is $3,266 and $1,895 for NI counterparts.

Monthly card spending limits reflect a pattern similar to per transaction limit choices. The most frequently identified monthly spending limit category (identified by 26% of respondents) is a range between $3,001 and $5,000. However, 28% of respondents identified a lower and 46% a higher category of monthly spending limit. Exhibit 74 shows that monthly spending limits are significantly different between BP and NI purchasing card programs, to wit: 66% of NI but only 43% of BP purchasing card programs have monthly spending limits that are $5,000 or below. Conversely, 57% of BP but only 34% of NI purchasing card programs have monthly spending limits that are above $5,000. Average monthly spending limits are $11,578 and $6,464 for BP and NI groups, respectively. Thus, we find that higher per transaction and monthly spending limits are differentiating features of BP purchasing card programs.

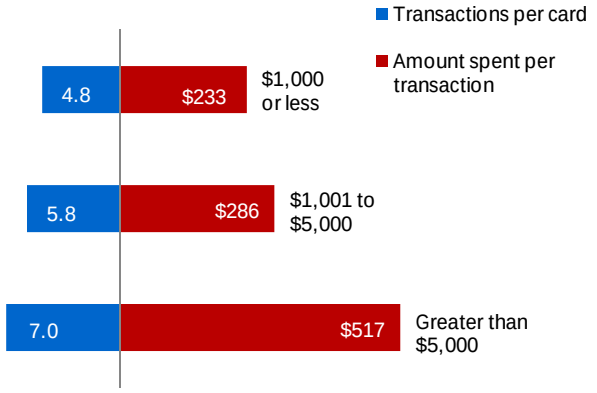
**Exhibit 74**
**Per Transactions and Monthly Spending Limits, by Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Spending Limit per Transaction** | | |
| Percent of organizations whose per transaction spending limit is $2,500 or below | 52% | 83% |
| Percent of organizations whose per transaction spending limit is greater than $2,500 | 48% | 17% |
| Average spending limit per transaction | $3,266 | $1,895 |
| **Monthly Spending Limit** | | |
| Percent of organizations whose monthly spending limit is $5,000 or below | 43% | 66% |
| Percent of organizations whose monthly spending limit is greater than $5,000 | 57% | 34% |
| Average spending limit per month | $11,578 | $6,464 |

## Dual Effect of Higher Spending Limits

Lower per transaction spending limits affect what and how much can be bought with the purchasing card. **Exhibit 75** shows the linkage between transaction spending limits, transactions per card, and the average transaction amount.[8] Exhibit 75 indicates that programs with average per transaction limits of $1,000 or less (which accounts for 37% of respondents) have an average of 4.8 monthly card transactions and an average transaction amount of $233. Card programs with average transaction limits between $1,001 and $5,000 (which accounts for 56% of respondents), by contrast, have an average of 5.8 monthly card transactions and an average transaction amount of $286. Programs with transaction limits above $5,000 (which accounts for 7% of respondents)

**Exhibit 75**
**Average Transactions per Card and Amount Spent per Transaction by Transaction Limit of Respondent**




[8] The data in this exhibit includes spending and transactions on all types of purchasing card accounts. When the analysis is performed with only plastic purchasing cards and spending on plastic cards, the results are similar.

experienced still greater card activity, with an average of 7.0 monthly card transactions and an average transaction amount of $517.

**Exhibit 76** further explores the relationship between transaction spending limits and monthly spending per card of BP and NI programs, revealing a "dual effect" driven by higher transaction spending limits. Specifically, we find that the 72% higher per transaction spending limit of the BP group is associated with a 46% increase in average transaction frequency and a 38% increase in average transaction size. Combined, the higher level of card activity and average transaction size yields a 101% increase in monthly spending per card.

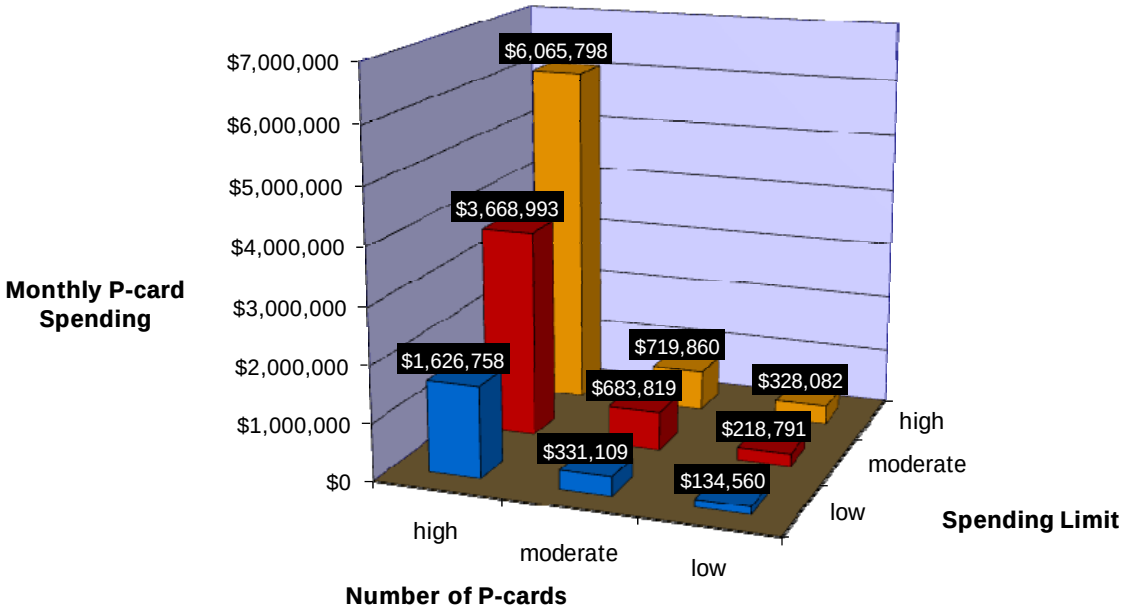
**Exhibit 76**
**Effect of Increased Transaction Spending Limits on Average Monthly Spending per Card, by Best Practice and Needs Improvement Groups**

| Program Benefits | Best Practice Group | Needs Improvement Group | Percent Difference |
|---|---|---|---|
| Per transaction spending limit | $3,266 | $1,895 | 72% |
| Monthly transactions per p-card | 6.87 | 4.72 | 46% |
| Transaction size | $309 | $225 | 38% |
| Monthly spending per card | $2,126 | $1,060 | 101% |

## Purchasing Card Program Performance, Transaction Limits, and Card Distribution

**Exhibit 77** on the next page presents a three-dimensional chart showing the synergistic effect of card distribution and per transaction spending limits on organizational purchasing card spending, for all respondent organizations. The top and bottom quartiles of purchasing cards per organization define the "high" and "low" levels of card distribution in the graph. The "high" purchasing card transaction spending limit is anything above $2,500, while the "low" transaction spending limit is $1,000 or less. Exhibit 77 illustrates that increases in either the number of purchasing cards distributed or the average spending transaction limit leads to higher overall program spending, and together high card distribution and high spending limit create a significant multiplier effect on increasing card spending. The average monthly card spending increases from $134,560 (for respondents with low card distribution and low spending limit) to $6,065,798 (for respondents with high card distribution and high spending limits).

**Exhibit 77**
**Association between Purchasing Card Distribution, Transaction Spending Limit, and Monthly Card Spending**




## Conclusion

Purchasing card spending limits inhibit or encourage purchasing card spending. Specifically, higher per transaction and monthly spending limits are differentiating features of BP purchasing card programs. Spending limits that are too tight dampen purchasing card spending growth by reducing the range of goods and services that can be bought on the card. Higher per transaction spending limits can have a "dual effect"—simultaneously increasing the number of transactions and the average transaction amount. As a validation, BP organizations report a 72% higher per transaction spending limit which is associated with a 46% increase in the average transaction frequency and a 38% increase in average transaction size. Combined, the higher level of card activity and average transaction size yields a 101% increase in monthly spending per card. Increases in either the number of purchasing cards distributed or the transaction spending limit leads to higher overall program spending, and together they create a significant multiplier effect on increasing card spending.

# **Innovation** at Work

## Customers share their “best practices”

## SPEND LIMITS

- “Identify a department’s requirements and allow the per transaction amount to be raised for a cardholder, documenting an exception to the policies and procedures.”
  *P-card Administrator, University*

- “Implemented p-card use for high-dollar transactions (in excess of $200,000).
  *Director of Business Operations, University*

- “We have increased our Construction/ Maintenance staff's card limits to allow for the purchase of City licenses, construction materials, and the rental of heavy construction equipment.”
  *Procurement Card Program Administrator, County government agency*

- “Along with our general p-card program, we do issue "specialty" cards to individuals which are MCC restricted to pay for contracted goods and utility services. These cards can carry a significant transaction limit of up to $20,000 (for example payment of bulk fuel).”
  *Purchasing Officer, City government agency*

- “Pop-up notice to clients to remind them to use the purchasing card for low-dollar value purchases…”
  *Director, Federal government agency*

- “Mandate use with specific vendors and then shut down other avenues for payment (i.e. checks) to that vendor.”
  *Controller Affiliate Accounting and Credit Card Services, Fortune 500 Size real estate company*

- “Accounts Payable uses a p-card to pay large vendor invoices.”
  *Finance Director, Middle market utility provider*

“There are risks and costs to action. But they are far less than the long range risks of comfortable inaction."

**John F. Kennedy**

# Best Practice: Allowable Spend Categories and Purchasing Methods

- *Span of Spend for Goods*
- *Span of Spend for Services*
- *Capture of Spending within Categories*
- *E-Procurement and Purchasing Cards*

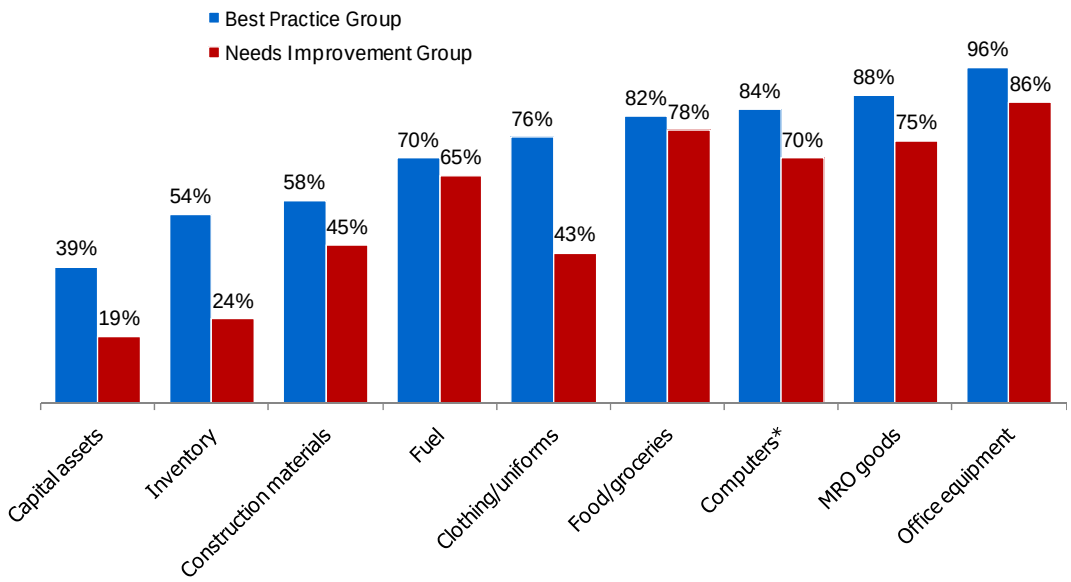
# Best Practice: Allowable Spend Categories and Purchasing Methods

The purpose of this section is to determine if organizations with best practice (BP) purchasing card programs use purchasing cards for a wider array of goods and services than “needs improvement” (NI) organizations. In addition, we examine if there are differences in the way BP and NI organizations integrate purchasing cards into e-procurement purchasing activity. To make the comparisons, we shall use the BP and NI groups as described in the “Best Practice: Introduction” section of this Report.

## Span of Spend for Goods

The previous section indicated that the higher per transaction spending limits of BP purchasing card programs support a higher average transaction amount. The higher spending limits may also (when supported by a procurement policy that allows a wide range of card purchases) drive card purchases to a broader range of goods and services. **Exhibit 78** on the next page shows that the percent of BP organizations using the purchasing card to acquire various types of goods is higher than NI organizations across all categories shown in the exhibit.

**Exhibit 78**
**Percent of Best Practice and Needs Improvement Organizations Acquiring Specific Types of Goods with Purchasing Card**



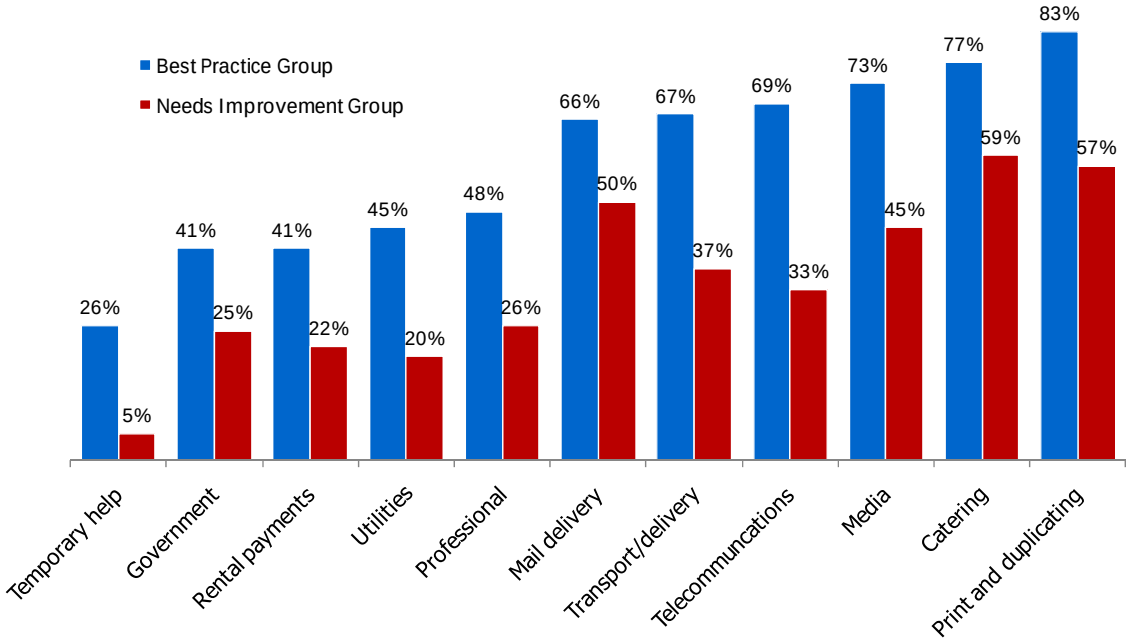

** Includes computer hardware, software, and peripherals*

Most notably, BP organizations are more likely than NI organizations to use the purchasing card to acquire clothing/uniforms (76% versus 43%), inventory (54% versus 24%), and capital assets (39% versus 19%). Although use of purchasing cards to acquire commonly "cardable" items such as office equipment and supplies, MRO goods, and computer hardware, software, and peripherals is high among both BP and NI organizations, it should be noted that those purchases are more common among BP organizations.

## Span of Spend for Services

BP organizations are not only more aggressive in expanding card spending across different categories of goods, but also services. **Exhibit 79** on the next page shows the percent of organizations that allow purchasing card to be used to pay for various services, by BP and NI organizations. The exhibit shows that BP organizations are significantly more likely than NI organizations to allow purchasing card payment for a wide variety of services with purchasing cards, including print and duplicating (83% versus 57%), catering (77% versus 59%), media (73% versus 45%), telecommunications (69% versus 33%), transport/delivery (67% versus 37%), mail delivery (66% versus 50%), professional (48% versus 26%), utilities (45% versus 20%), rental payments (41% versus 22%), government (41% versus 25%), and temporary help (26% versus 5%).

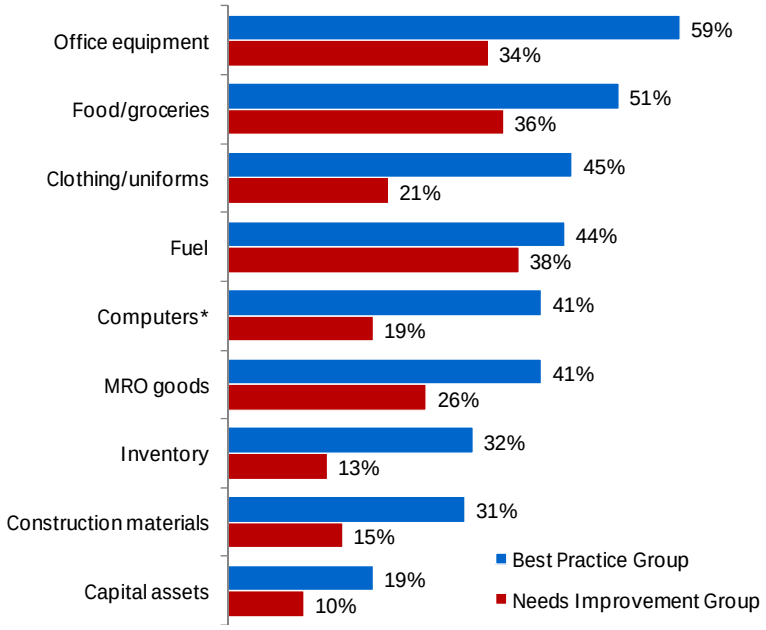
**Exhibit 79**
**Percent of Best Practice and Needs Improvement Organizations Paying for Specific Services with Purchasing Card**



## Capture of Spending within Categories

BP organizations are not only more likely to allow for purchasing card purchases of a wider variety of goods and services, they are also more likely use their purchasing cards to pay for a higher percentage of their spending on those goods and services. **Exhibit 80** on the next page shows that BP organizations capture a significantly higher percentage of spending of every category of goods on their purchasing cards. The most notable differences in purchasing card capture as a percent of spending by BP and NI respondents is for office equipment (59% versus 34%), computer hardware, software, and peripherals (41% versus 19%), MRO goods (41% versus 26%), and inventory (32% versus 13%).

**Exhibit 80**
**Purchasing Card Spending as a Percent of Total Spending by Best Practice and Needs Improvement Organizations, by Category of Good**

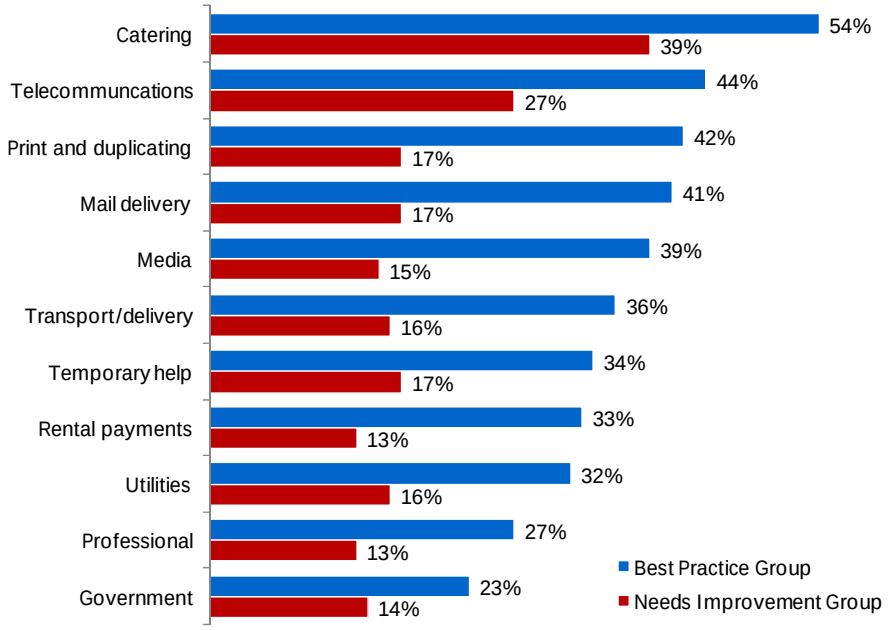



* Includes computer hardware, software, and peripherals

**Exhibit 81** on the next page shows that BP organizations capture a significantly higher percentage of spending of every category of service on their purchasing cards. The most notable differences in purchasing card payment as a percent of spending by BP and NI respondents is for telecommunications (44% versus 27%), print and duplicating (42% versus 17%), mail delivery (41% versus 17%), media (39% versus 15%), transport/delivery (36% versus 16%), rental payments (33% versus 13%), utilities (32% versus 16%), and professional (27% versus 13%).

Thus, BP organizations use the purchasing card to capture a higher percentage of total spending across a wide range of goods and services.

**Exhibit 81**
**Purchasing Card Spending as a Percent of Total Spending by Best Practice and Needs Improvement Organizations, by Category of Service**



## E-Procurement and Purchasing Cards

**Exhibit 82** below indicates that 24% of BP and 20% of NI organizations report engaging in purchases over the Internet via an "e-procurement portal." Of those organizations acquiring goods via an e-procurement portal, the exhibit also reveals that BP organizations pay for a higher percentage of their e-procurement transactions with a purchasing card (24%) than their NI counterparts (14%). Additionally, the exhibit indicates that in three years, BP organizations expect to continue to pay for a higher percentage of their e-procurement transactions with the purchasing card than NI counterparts (40% versus 30%).

**Exhibit 82**
**Payment of E-Procurement Transactions by Purchasing Cards, by Best Practice, Total Sample, and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Vendor Management** | | |
| Percent of organizations that engage in purchases over the Internet via an "e-procurement portal" | 24% | 20% |
| **Average Percent of E-Procurement Transactions Paid by Purchasing Cards** | | |
| Today | 24% | 14% |
| Expected in three years | 40% | 30% |

## Conclusion

BP organizations allow employees to purchase a wider variety of goods and services with their purchasing card. Because of this, BP organizations capture a significantly greater percentage of their spending within categories on purchasing cards than their NI counterparts. When used, BP organizations pay for a higher percentage of their e-procurement transactions by purchasing card.

# **Innovation** at Work

## Customers share their "best practices"

## SPEND CATEGORIES

- "Utilizing p-card to pay for telecommunications service and not receiving hard copy invoices in an attempt to be more environmentally conscious."
  *Business Manager,*
  *State government agency*

- "[We] use purchase cards for purchases from [overseas vendors] due to ease of currency conversion."
  *A/P Accountant,*
  *Large Market retailer*

- "Any expense items under $2,500 and not on 'restricted list' is purchased using the p-card."
  *Global Corporate Card Program Analyst,*
  *Fortune 500 Size research company*

- "Utility payments were particularly easy to go after in A/P. Rarely do we dispute or need to question the charges."
  *E-Commerce Administrator,*
  *Fortune 500 Size service company*

- "All cell phone charges are automatically paid with p-cards."
  *Analyst of Operations,*
  *Middle market utility provider*

- "All office supplies must be purchased with the p-card."
  *Purchasing Manager,*
  *School district*

- "Business units use the card for large purchases such as print plates, newspaper ink, and other costly supplies that increase their monthly spend."
  *Program Administrator,*
  *Corporate service provider*

- "We require all shipping and copier leases to be paid using the procurement card."
  *Procurement Card Administrative Assistant,*
  *University*

- "Issuing p-cards to our publicity field representatives to use for worldwide press junkets for movie releases. We also use p-cards heavily in the productions themselves."
  *Manager of p-card and Procurement Services,*
  *Fortune 500 Size media and entertainment company*

- "Paying all [carrier company] invoices online that are attached with a credit card number for each account."
  *Purchasing Card Administrator,*
  *Large market manufacturing company*

- "Purchasing of all computers."
  *Purchasing Card and Project Coordinator,*
  *University*

- "Litigation expenses, documents, court costs, non-strategic law firms, and government payments.
  *Sourcing Manager,*
  *Fortune 500 Size manufacturing company*

# Best Practice: Program Management

- *Organizational Design: Delegation of Authority to Purchasing Card Administrator (PCA)*
- *Organizational Design: PCA Performance Metrics*
- *Organizational Design: PCA Incentives*
- *Integrating Incentives, Performance Measurement, and Delegation of Authority*
- *PCA Motivation Through Optimized Organizational Designs: Key Enablers and Program Configuration*
- *Other Aspects of Optimized Organizational Designs*
- *Top Management Support*
- *Resource Commitment*
- *Best Practice PCA Commitment*
- *Management Culture*

# Best Practice: Program Management

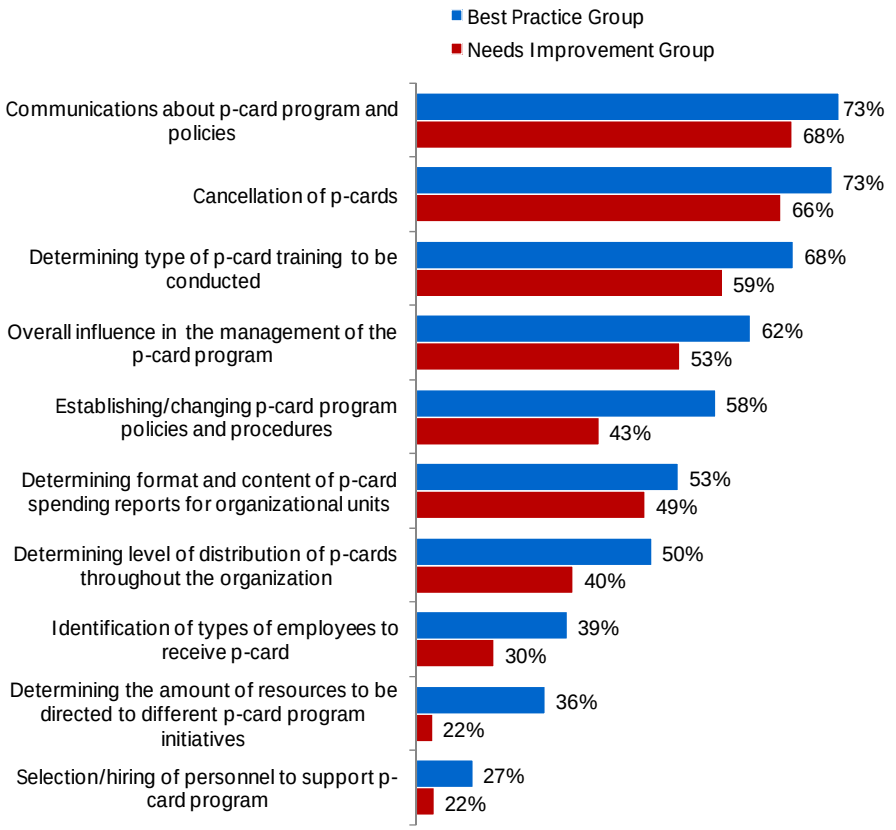
Anecdotal evidence in the marketplace suggests successful purchasing card programs are associated with top management support, adequate resources, certain aspects of organizational culture, and activities of engaged and motivated purchasing card administrators (PCAs). With respect to the latter point, there are three aspects of organizational design that affect the job of the PCA. These three aspects, as shown in **Exhibit 83,** are (a) measurement of program performance, (b) PCA incentives (when the program performance meets or exceeds expectations), and (c) delegation of the authority to the PCA to make program-related decisions. In theory, the three key aspects of organizational program management design (measurement, incentive, and delegation) operate as the legs of a stool – if all three are in place PCA efforts to optimize program performance will be at its highest. Conversely, if any one element of good organizational design of program management is missing or inadequate, PCA efforts to optimize program performance will be weakened and purchasing card program performance will be undermined. This section will also examine the impact of top management support, organizational culture, and organizational design on purchasing card program performance. We make use of comparisons between the 'best practice" (BP) and "needs improvement" (NI) purchasing card programs created in the manner described in the "Best Practice: Introduction" as shown earlier in this Report.

**Exhibit 83**
**Organizational Design of Program Management that Optimizes PCA Effort**

## Organizational Design: Delegation of Authority to Purchasing Card Administrators

The amount of influence that the PCA has over the operation of the purchasing card program is an important aspect of program management. We asked respondents to identify the level of influence that the PCA has in their purchasing card programs. **Exhibit 84** shows that, compared to NI organizations, a notably higher percentage of PCAs at BP organizations report significant influence in all ten areas of program management. The most distinct differences in the influence of the PCA between BP and NI programs relate to (a) "establishing/changing p-card program policies and procedures", (b) "determining the amount of resources to be directed to different p-card initiatives," and (c) determining the "level of distribution of cards throughout the organization." Overall, the BP group reports a notably higher percentage of PCAs with significant influence over organizational decisions related to their purchasing card program.

**Exhibit 84**
**Percent of Organizations with Significant Influence of Purchasing Card Administrator in Program Activities, by Best Practice and Needs Improvement Groups**

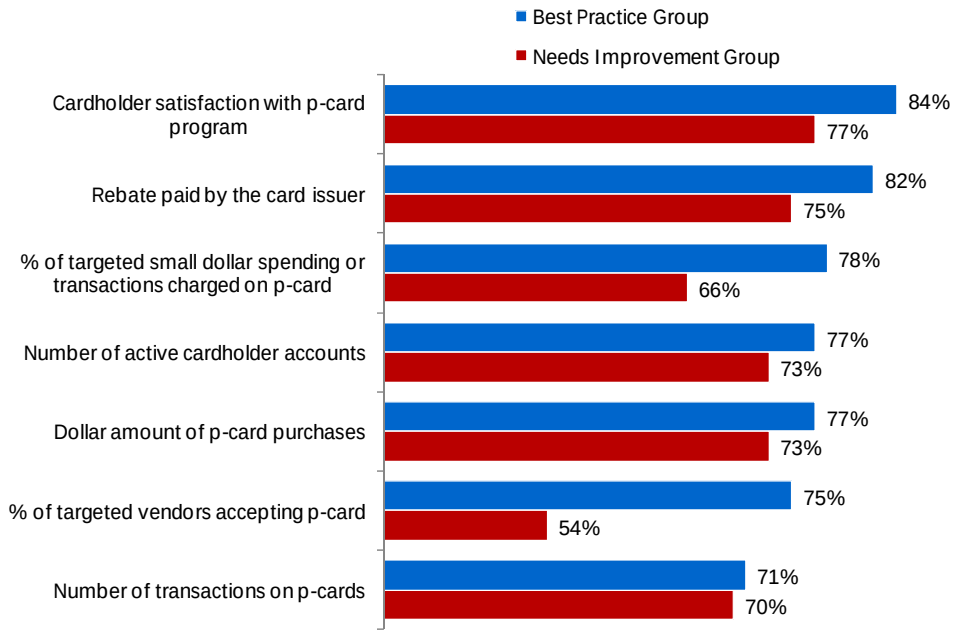


## Organizational Design: PCA Performance Metrics

Measuring program performance as part of the PCA's job review is an important component of p-card program management. At present, about 54% of BP and 49% of NI organizations use one or more performance metric by which to evaluate PCA job performance. How an organization measures performance may influence the decisions PCAs make and the focus of their work. Across all respondents that use performance measures, the most commonly used measures include cardholder satisfaction with the p-card program (77%), the rebate paid by the card issuers (77%), the number of active cardholder accounts (75%), and the dollar amount of purchasing card purchases (74%).

**Exhibit 85** reveals differences in the use of performance metrics to evaluate PCA performance by BP and NI organizations. Generally, the exhibit shows that BP programs are more likely to use each type of performance measure presented. More specifically, a significantly higher percentage of BP organizations measure the percent of targeted vendors accepting p-cards (75% versus 54%), the targeted percent of small dollar spending or transactions charged on the p-card (78% versus 66%), the number of active cardholder accounts (79% versus 70%), the rebate paid by the card issuer (82% versus 75%), and cardholder satisfaction with the p-card program (84% versus 77%). Combining Exhibits 84 and 85, it appears that BP organizations give the PCA greater discretion and authority and hold them to a higher level of accountability for program success.

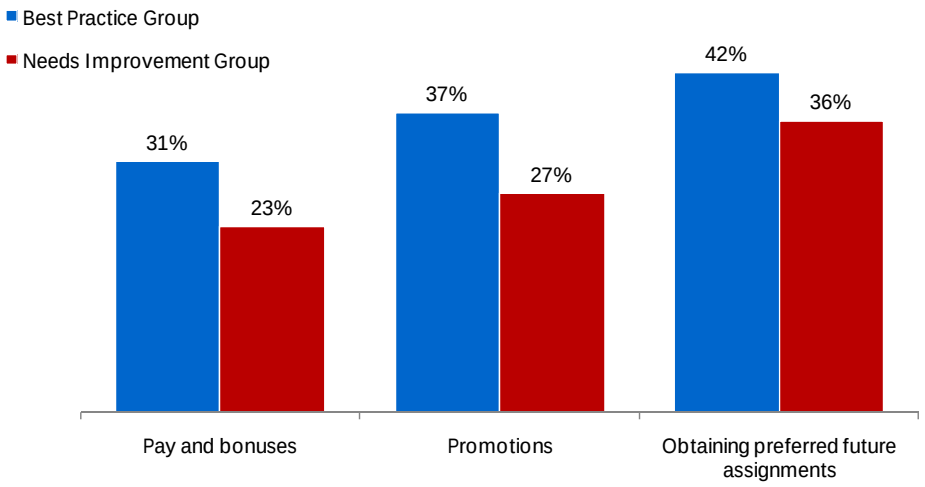
**Exhibit 85**
**Purchasing Card Program Performance Measures Used to Evaluate PCA Performance, by Best Practice and Needs Improvement Groups**



## Organizational Design: PCA Incentives

**Exhibit 86** indicates that there are notable differences between BP and NI organizations with regard to the impact the purchasing card program performance will have on PCA pay and bonuses, promotions, or future assignments. The exhibit shows that purchasing card program performance at BP organizations is more likely to have an important impact on future PCA job assignments (42% versus 36%), promotions (37% versus 27%), and pay and bonuses (31% versus 23%).

**Exhibit 86**
**Percent of Organizations in Which Purchasing Card Program Performance Has an Important Impacton PCA Pay, Promotions, or Future Assignments, by Best Practice and Needs Improvement Groups**




## Integrating Incentives, Performance Measurement, and Delegation of Authority

To ascertain the synergistic impact of incentives, performance measures, and the delegation of decision rights, we compare organizational and purchasing card program description of similar-sized organizations that have or do not have an "optimized organizational design" in the next three pages below. We define an optimized organizational design as one in which the respondent reports (a) measuring PCA performance, (b) above average levels of PCA influence in decisions about the purchasing card program, and (c) an above average impact of p-card program performance on PCA pay and bonuses, promotions, or obtaining preferred future assignments. "Sub-optimal organizational design" is this label affixed to those organizations do not measure PCA performance or do not report an above average level of PCA influence in decisions about the purchasing card program or do not report an above average impact of p-card program performance on PCA pay and bonuses,

promotions, or obtaining preferred future assignments. In short, an "optimized organizational design" exists when all three legs of the theoretical stool discussed in the Introduction of this chapter are in place and a "sub-optimized" design exists if any one leg of the stool is missing,

**Exhibit 87(a)** shows that, in comparison to organizations with sub-optimum design, respondents that have an optimized organizational design report:

- 54% (200%) higher average (median) monthly purchasing card spending,
- significantly higher card distribution (13.8% versus 8.8%),
- higher capture of the under $2,500 (46% versus 41%), and
- 43% higher monthly purchasing card spending per employee ($204 versus $143).

**Exhibit 87(a)**
**Comparison of Key Program Performance Statistics by Purchasing Card Programs with Optimized Organizational Design and Sub-Optimized Organizational Design**
*(all numbers are averages except where indicated otherwise)*

| | Optimized Organization Design | Sub-Optimized Organization Design | Percent Difference |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 7,338 | 6,802 | 8% |
| **Program Performance Measures** | | | |
| Number of plastic purchasing cards | 1,013 | 601 | 69% |
| Card-to-employee ratio | 13.8% | 8.8% | 56% |
| Average monthly p-card spending | $1,496,901 | $969,365 | 54% |
| Median monthly p-card spending | $900,000 | $300,000 | 200% |
| Transactions under $2,500 placed on p-card | 46% | 41% | 12% |
| Transactions between $2,500 and $10,000 placed on p-card | 26% | 24% | 6% |
| Spending per employee | $204 | $143 | 43% |

## PCA Motivation Through Optimized Organizational Designs: Key Enablers and Program Configuration

The improved performance of organizations with an optimized organizational design is driven by key program enablers and PCA actions aimed at reaching card program potential. One key driver, already illustrated in Exhibit 87(a), is higher card distribution. Additionally, **Exhibit 87(b)** on the next page shows that, in comparison to organizations with sub-optimum design, respondents that have an optimized organizational design report:

- 39% higher per transaction spending limits ($3,151 versus $2,263) and 38% higher monthly purchasing card spending limits ($12,171 versus $8,803), and
- A significantly greater percentage of respondents engaging in a wide variety of actions aimed at expanding the purchasing card program, including (a) targeting specific commodities or services for p-card payment (72% versus 53%), (b) targeting specific vendors for p-card payment (69% versus 46%), (c) benchmarking p-card program performance against published benchmark figures (34% versus 13%), (d) comparing p-card program performance to similar organizations (46% versus 20%), and (e) analyzing AP check payments to identify merchants who should be encouraged to accept the purchasing card for payment (62% versus 35%), and (f) reviewing purchase requisition traffic to identify employees who need p-cards (43% versus 29%).

Organizations with optimized organizational designs encourage the PCA to lay the groundwork necessary for controlled program growth. Exhibit 87(b) shows that, in comparison to organizations with a sub-optimal organization design, respondents that have an optimized organizational design are more likely to:

- require initial purchasing card training for cardholders (90% versus 79%)
- require refresher training periodically for cardholders (43% versus 28%),
- provide web-based purchasing card training materials (77% versus 49%),
- provide self-study purchasing card training materials (81% versus 65%),
- track the completion of training and training updates by employees (71% versus 39%),
- support p-card program administrator attendance at p-card user conferences (78% versus 45%),
- have an ongoing method of communicating p-card information to employee (81% versus 51%), and

- have a Web site that answers p-card questions (58% versus 36%)

Thus, we conclude that the optimized organizational design motivates the PCA to takes the actions necessary to establish a foundation for program success, particularly in areas of card spending limits, card distribution, spending potential, and training requirements.

**Exhibit 87(b)**
**Comparison of Spending Limits, Actions to Reach Purchasing Card Program Spending Potential, and Training by Purchasing Card Programs with Optimized Organizational Design and Sub-Optimized Organizational Design**

| | Optimized Organization Design | Sub-Optimized Organization Design |
|---|---|---|
| **Spending Limits** | | |
| Average per transaction spending limit | $3,151 | $2,263 |
| Average monthly spending limits | $12,171 | $8,803 |
| **Actions Taken to Reach P-Card Spending Potential. Percent of Organizations That:** | | |
| Target specific commodities or services for p-card payment | 72% | 53% |
| Target specific vendors for p-card payment | 69% | 46% |
| Benchmark their p-card program performance against published benchmark figures | 34% | 13% |
| Compare their p-card program performance to that of similar organizations | 46% | 20% |
| Analyze AP check payments to identify merchants who are to be encouraged to accept p-cards for payment | 62% | 35% |
| Review purchase requisition traffic to identify employees who need p-cards | 43% | 29% |
| **Training. Percent of Organizations that:** | | |
| Require initial training purchasing card training for cardholders | 90% | 79% |
| Require refresher training periodically for cardholders | 43% | 28% |
| Provide web-based purchasing card training materials | 77% | 49% |
| Provide self-study purchasing card training materials | 81% | 65% |
| Track completion of training and training updates by employees | 71% | 39% |
| Support p-card program administrator attendance at p-card user conferences to identify new ways to use p-cards | 78% | 45% |
| Have an ongoing method of communicating p-card information | 81% | 51% |
| Have a Web site that answers p-card questions | 58% | 36% |

## Other Aspects of Optimized Organizational Designs

Finally, the use of an optimized organizational design is also associated with activities aimed at exerting greater control over purchasing card spending and extract more benefit from purchasing card use.

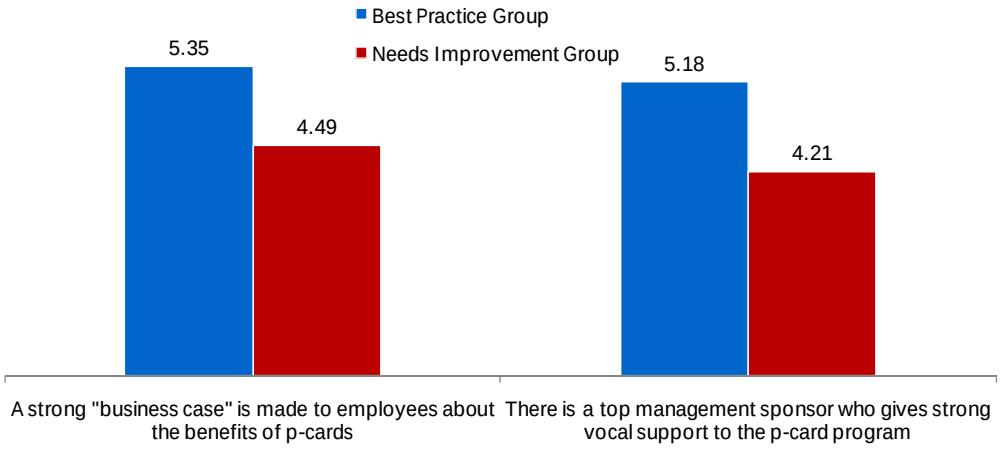
***Control*.** The use of an optimized organizational design is associated with a higher propensity to engage (or not engage) in various control activities. Thus, in comparison to organizations with a sub-optimal organization design, respondents that have an optimized organizational design are significantly more likely to conduct data mining of purchasing card transactions to identify potential policy violations or card misuse (76% versus 55%) and to de-activate purchasing cards that are unused for an extended period (70% versus 52%).

***Benefits*.** In addition to the cost savings and financial incentives associated with shifting spending and transactions to purchasing cards, there are other benefits reported by organizations using an optimized organizational design including a higher likelihood that the organization (a) uses purchasing card spending data to obtain a discount for goods or services (49% versus 23%), (b) has 100% integration of its purchasing card data into the organizational accounting system (67% versus 57%), and (c) has reduced the number of active suppliers it maintains in its AP master file (47% versus 30%).

## Top Management Support

A fundamental principle of change management is that top management support is critical to organizational adoption and use of new technologies. **Exhibit 88** shows the respondents ratings concerning support for the purchasing card program. Specifically, the exhibit indicates that organizations with BP purchasing card programs report a significantly higher level of support for the purchasing card program in terms of a "business case [being] made to employees about the benefits of purchasing card use" and the presence of "strong vocal support" by a top management sponsor.

**Exhibit 88**
**Top Management Support, by Best Practice and Needs Improvement Groups**
***(where 1=Do Not Agree and 7=Fully Agree)***




## Resource Commitment

Part of management support for a purchasing card program is the assignment of time to manage and grow the program. Activities to maintain on-going communications with cardholders, attend training conferences, and work with card issuers to integrate card data into organizational accounting systems or expand purchasing card acceptance require a commitment by the organization to support the purchasing card program with the appropriate staffing level. For many relatively young purchasing card programs with a low number of cards, the job of program management can become an "other duty as assigned" for the PCA in the organization. Unfortunately, staffing needs change as the program matures and if the level of staffing does not grow with the program, the staff may not be able to keep up with the increased daily workload driven by increases in the number of purchasing cards in the organization.

**Exhibit 89** presents a breakdown of the full-time equivalent (FTE) staffing used to support card programs of various sizes (as measured by the number of purchasing cards). As seen in the exhibit, purchasing card program administration is typically a part-time position (with administrative support) until the program grows past 200 cards (at which point the majority of programs use one or more FTE to administer the program). Support of other personnel (including individuals with responsibility for managing aspects of the purchasing card program at facilities other than the one location where the PCA resides) increases from a median of 0.25 FTE in small (1-199 cards) programs up to 2 or more FTE in large (1,500 or more) purchasing card programs.

**Exhibit 89**
**Staffing Patterns of Purchasing Card Programs by Number of Cards in Program**

| | Number of Purchasing Cards in Program | | | |
|---|---|---|---|---|
| | 1 to 199 | 200 to 499 | 500 to 1,499 | 1,500 + |
| **Purchasing Card Administrator Full-Time Equivalent Job Commitment** | | | | |
| % with 1 or more full-time PCA assignment | 47% | 57% | 77% | 95% |
| **Support Personnel FTEs** | | | | |
| Median | 0.25 | 0.50 | 1.00 | 2.00 |

## Best Practice PCA Commitment

**Exhibit 90** on the next page provides facts about the resource commitment of PCA time and other administrative support at both BP and NI purchasing card programs. In comparison to the NI programs, BP programs report greater commitment of personnel to the purchasing card program, as indicated by (a) higher average PCA FTE commitment (1.24 versus 1.00) and (b) a higher percentage of respondent organizations with at least one FTE involved in program management (65% versus 53%). BP programs also have modestly higher commitments of administrative support compared to their NI counterparts (1.11 versus .92 FTE). Though BP and NI organizations are similar in size (based on the number of employees), there are fewer purchasing cards distributed at NI programs (see Exhibit 67) which may explain, in part the differences found in Exhibit 90.

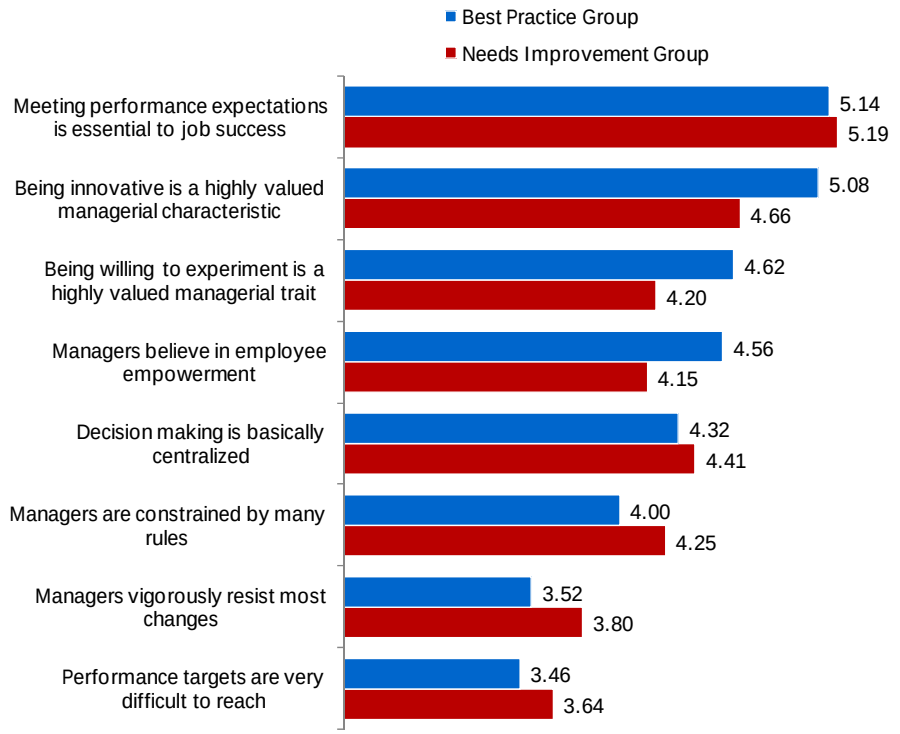
**Exhibit 90**
**Staffing Patterns of Purchasing Card Programs, by Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Program Benefits** | | |
| Average PCA FTE commitment | 1.24 | 1.00 |
| % with at least one full-time PCA | 65% | 53% |
| Average administrative support FTE | 1.11 | .92 |
| % with at least one FTE of administrative support | 32% | 28% |

## Management Culture

Organizational culture may play a hidden but important role in the success of a purchasing card program. Responses to our survey reveal interesting differences in management culture at BP and NI organizations. **Exhibit 91** on the next page shows that BP organizations are more likely to value innovation (5.08 versus 4.66) and willingness to experiment (4.62 versus 4.20), and believe in employee empowerment (4.56 versus 4.15) than organizations with NI purchasing card programs. NI organizations, on the other hand, are more likely to constrain managers with many rules (4.25 versus 4.00) and vigorously resist most changes (3.80 versus 3.52).

**Exhibit 91**
**Importance of Statements Related to Management Culture, by Best Practice and Needs Improvement Groups**
***(where 1=Not Important and 7=Very Important)***



## Conclusion

The purpose of this section was to determine if BP purchasing card programs are different from other organizations with respect to top management support, organizational culture, and the organizational design of the purchasing card program (including PCA performance measures, incentives, and the authority to develop the purchasing card program).

Analysis of survey results indicates that BP purchasing card programs report a significantly higher level of management support for the purchasing card program. In addition, it appears that organizational culture may play a hidden but important role in the success of a purchasing card program. Survey responses indicate that BP organizations are more likely to value innovation and willingness to experiment and believe in employee empowerment than organizations with NI purchasing card programs.

With respect to program management, survey results indicate that, in comparison to NI organizations, a notably higher percentage of BP organizations report that PCAs have "significant influence" in areas of program management and are more likely to be the beneficiaries of performance incentives such as future preferred assignments, promotions, and additional pay and bonuses. Further, a modestly higher percentage of BP organizations use one or more performance metric by which to evaluate the purchasing card program. Pulling the fundamental aspects of program management together, we found that respondents with an optimized organizational design report better purchasing card program performance and significantly more aggressive behavior by PCAs to grow and improve the purchasing card program.

# **Innovation** at Work

## Customers share their "best practices"

PROGRAM MANAGEMENT

### Control

- "Requiring cardholders to scan receipts and deposit them along with their monthly statement into a folder on the shared drive. This enables more frequent audits and allows key personnel in finance and administration to view invoices at any given time."
  *Purchasing Card Administrator, University*

- "Data mining for fraudulent or inappropriate transactions."
  *Manager of Treasury Compliance, Middle market manufacturing company*

- "Requiring cardholders to submit receipts on a weekly basis with the risk of suspension if not turned in compliance."
  *Financial Analyst, Municipal government agency*

- "Compliance, training, research, data mining, and oversight of card issuance."
  *Purchasing Card Administrator, University*

- "Dedicated department employee that handles all receipt and statement requirements before forwarding to review; require a manager or director signature indicating review of all charges."
  *Purchasing Manager, City government agency*

- "Suspend p-cards that have not followed policy including sending receipts into accounting."
  *Large market manufacturing company*

- "We include our city's tax identification number on the card to facilitate sales-tax exempt transactions."
  *Chief Financial Officer, City government agency*

- "We have the departments maintain the backup documentation rather than have the burden of the card documentation be on Financial Services."
  *Assistant Director of Financial Services, University*

- "[We] evaluate spending patterns with high number of disputed transactions and deactivate unused p-cards"
  *AP and P-Card Administrator, City government agency*

- "Effective controls and policy; mandate training … communication with key department reviewers and approvers."
  *Card Program Administrator, University*

- "Requirement to submit receipts timely; aids in audit performance by internal and external entities."
  *Commercial Card Program Administrator, Large market service company*

- "Updating software used online for balancing and reconciling transactions."
  *Administrative Services Manager,*
  *City government agency*

- "Using the bank online coding, review, and approval processes (saves the accountant hours/days of processing time)."
  *Purchase Card Administrator,*
  *State government agency*

## Organizational Support

- "Executive support for usage and compliance."
  *Expense Management Specialist,*
  *School district*

- "Since this is a new program to the company it is valuable to have our Senior Management back us. Also our mandatory training provides an understanding to the employees on the positive financial impact it has for [organization]."
  *Corporate Credit Card Lead,*
  *Not-for-profit entity*

- "We are forming a steering committee made up of all stakeholders to expand the program."
  *Purchasing Card Administrator,*
  *City government agency*

## Training and Incentives

- "Training is very important. Cardholders must take the online training session. Suspension of cards per policy for non-compliant cardholders. This ensures 100 percent reconciliation of all p-cards on a fiscal year basis."
  *Accounts Payable Director,*
  *University*

- "…Comprehensive website containing easy-to-use help guides and information; requiring training for both the cardholder and their supervisor before card is released."
  *Manager,*
  *Not-for-profit entity*

- "Training for all cardholders at the time of card re-issuance. Field audits for procedural compliance."
  *Purchasing Manager,*
  *County government agency*

- "Training for new cardholders upon application for a p-card; annual training for Program Coordinators; and online refresher training every two years. Department internal controls are reviewed."
  *P-Card Specialist,*
  *State government agency*

- "We require annual training for cardholders and reviewers. Close accounts which are inactive for more than 6 months."
  *Purchasing Card Coordinator,*
  *University*

- "I have Local Card Coordinators who I send out occasional 'newsletters' about why it's good to use the p-card."
  *Commercial Cards Analyst,*
  *Large market financial institution*

- "Providing users with a 'living' manual for using their p-cards, and constant opportunities for training and assistance."
  *Buyer Specialist*
  *University*

# Best Practice: Program Optimization

- *Assessing Purchasing Card Program Potential*
- *Steps to Reach Potential*
- *Preferred Suppliers and Mandates*
- *Training and Training Methods*
- *Impact of Action Steps and Other "Best Practices"*

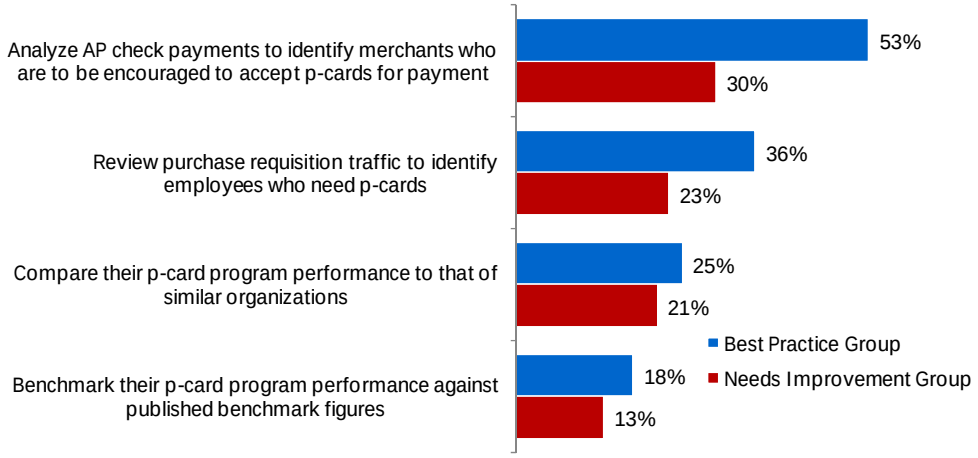
# Best Practice: Program Optimization

Organizational leaders at well-managed purchasing programs understand the benefits of the purchasing card and their organization's potential for reaping the benefits of card technology. They take steps to assess their potential for card spending and take concrete actions to reach that potential. The purpose of this section is to examine the relationship between purchasing card program assessment and optimization activities and program performance. To evaluate the impact of program optimization activities, we will make use of comparisons between the "best practice" (BP) and "needs improvement" (NI) purchasing card programs created in the manner described in the "Best Practice: Introduction" section of this Report.

## Assessing Purchasing Card Program Potential

There are a variety of ways by which an organization can evaluate its potential for increased purchasing card spending. **Exhibit 92** shows that, in comparison to the NI group, BP purchasing card programs are significantly more likely to evaluate purchasing card program potential by analyzing AP check payments to identify merchants who are to be encouraged to accept purchasing cards for payment (53% versus 30%) and reviewing purchase requisition traffic to identify employees who needs purchasing cards (36% versus 23%).

**Exhibit 92**
**Percent of Organizations that Take Steps to Evaluate Purchasing Card Program, by Best Practice and Needs Improvement Groups**




BP organizations are also modestly more likely to compare purchasing card program performance to that of similar organizations and benchmark card program performance against published benchmark data.

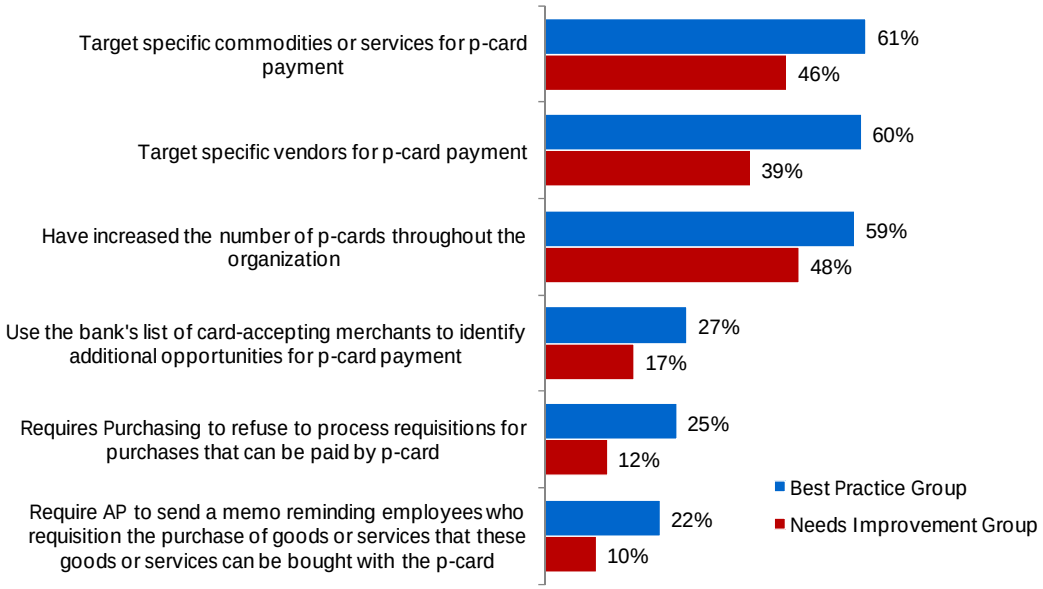
## Steps to Reach Potential

Once the potential of a purchasing card program is assessed, organizations must take action to reach that potential. **Exhibit 93** shows the percent of BP and NI respondents that engaged in particular action steps to reach their purchasing card spending potential.

Exhibit 93 indicates that, in comparison to NI organizations, BP organizations are notably more likely to:

- target specific commodities or services for purchasing card payment (61% versus 46%),
- target specific vendors for purchasing card payment (60% versus 39%),
- increase the number of purchasing cards throughout the organization (59% versus 48%),
- use the bank's list of card-accepting merchants to identify additional opportunities for purchasing card payment (27% versus 17%),
- require Purchasing to refuse to process requisitions for purchases that can be paid by purchasing card (25% versus 12%), and
- require AP to send a memo reminding employees who requisition the purchase of cardable goods or services that these goods or services can be bought with the purchasing card (22% versus 10%).

**Exhibit 93**
**Program Optimization Steps, by Best Practice and Needs Improvement Groups**



## Preferred Suppliers and Mandates

**Exhibit 94** indicates that 48% of BP organizations have a policy that requires cardholders to use "preferred vendors" for specific types of goods or services, compared to 39% of NI organizations. The use of preferred vendors appears to have affected the supply base – Exhibit 94 shows that 36% of BP organizations report a reduction in the number of active suppliers in their AP master file by virtue of purchasing card use, compared to 29% of NI respondents. Further, there is evidence that successful purchasing card program management contributes to a better business relationship with suppliers. Exhibit 94 shows that a significantly larger percent of BP organizations report that their card-accepting suppliers have increased their share of business with the organization compared to suppliers who do not accept purchasing cards (57% versus 41%).

Exhibit 94 also shows that a notably higher percentage of BP organizations (21% versus 15% for NI) mandate use of the purchasing card for purchases below a particular dollar amount. Further, those BP organizations that mandate card spending set a higher threshold amount ($7,500) than NI programs ($4,000) below which all transactions are to be paid by purchasing card.

**Exhibit 94**
**Use of Preferred Vendors and Purchasing Card Mandate, by Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Vendor Management** | | |
| Percent of organizations that have a policy that requires p-card cardholders to use "preferred vendors" for specific types of goods or services | 48% | 39% |
| % that have reduced the number of active suppliers maintained in AP master file by virtue of p-card use | 36% | 29% |
| % whose card-accepting suppliers increased their share of business with organization compared to suppliers who do not accept p-cards | 57% | 41% |
| **Card Use Mandates** | | |
| Percent of organizations that mandate p-card use for purchases below a particular dollar amount | 21% | 15% |
| Median dollar amount below which purchases are mandated to be paid by card | $7,500 | $4,000 |

## Training and Training Methods

**Exhibit 95** on the next page presents training practices of BP and NI organizations, as well as the total sample. Exhibit 95 shows that, with respect to training, BP programs are more likely than their NI counterparts to:

- require refresher purchasing card training for cardholders (30% versus 23%),
- require initial (72% versus 66%) and refresher (27% versus 21%) purchasing card training for supervisors who approve purchasing card spending,
- provide web-based purchasing card training materials (58% versus 50%),
- provide self-study purchasing card training materials (72% versus 62%),
- support Purchasing Card Administrator attendance at purchasing card user conferences to identify new ways to use purchasing cards (63% versus 42%),
- have an ongoing method of communicating purchasing card information (65% versus 51%), and
- have a web site that answers purchasing card questions (45% versus 34%).

**Exhibit 95**
**Training, Training Methods, and On-Going Communications, by Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Training for Cardholders and Supervisors** | | |
| Require initial p-card training for cardholders | 81% | 83% |
| Require refresher p-card training for cardholders | 30% | 23% |
| Require initial p-card training for supervisors who approve p-card spending | 72% | 66% |
| Require refresher p-card training for supervisors who approve p-card spending | 27% | 21% |
| **Training and Communication. Percent of Organizations that:** | | |
| Provide web-based p-card training materials | 58% | 50% |
| Provide in-person p-card training | 82% | 79% |
| Provide self-study p-card training materials | 72% | 62% |
| Track completion of training and training updates by employees | 46% | 43% |
| Support p-card program administrator attendance at p-card user conferences to identify new ways to use p-cards | 63% | 42% |
| Have an ongoing method of communicating p-card information | 65% | 51% |
| Have a Web site that answers p-card questions | 45% | 34% |

## Impact of Action Steps and Other "Best Practices"

Based on the different actions undertaken with respect to their purchasing card programs, it is not surprising that BP organizations derive greater benefits from purchasing card use. In addition to the benefits associated with shifting transactions to purchasing cards discussed in Chapter 4 (e.g., reduced purchasing cycle time, reduced petty cash accounts, reduced audit activity, convenience to employees), **Exhibit 96** indicates that BP organizations report greater improvements in administrative process efficiency. BP organizations indicate that purchasing cards enabled them to reduce or eliminate the need for 6.2 full-time equivalent (FTE) personnel in Purchasing and Accounts Payable as opposed to 2.7 at NI counterparts. Further, 34% of BP organizations have used purchasing card data to obtain higher discounts for goods and services in comparison to 23% of NI respondents. The average absolute increase in the discount obtained was also higher for the BP group (2.7%) than for the NI group (1.6%) that used the purchasing card data in discount negotiations. Exhibit 96 also shows that, in comparison to their NI counterparts, BP organizations achieve greater cycle time reduction (14.0 days versus 10.7 days).

**Exhibit 96**
**Differences in Selected Purchasing Card Program Outcomes between the Best Practice and Needs Improvement Groups**

| Program Benefits | Best Practice Group | Needs Improvement Group |
|---|---|---|
| Purchasing and Accounts Payable FTE headcount that would need to be hired if the p-card program was eliminated | 6.2 | 2.7 |
| % using p-card spending data to obtain discounts for goods or services | 34% | 23% |
| Absolute increase in discount obtained by virtue of purchasing card use | 2.7% | 1.6% |
| Cycle time reduction as a result of use of p-card | 14.0 days | 10.7 days |

## Conclusion

We find that BP organizations go beyond higher card distribution and higher spending limits to reach card program potential. Specifically, they are more likely to assess their purchasing card program potential and take a variety of concrete steps, including targeting commodities and vendors for card payment in an attempt to drive low value payments to the purchasing card. The net effect of these action steps, combined with the other fundamental program building blocks discussed earlier, is to drive greater card value to the BP programs.

# **Innovation** at Work

## Customers share their "best practices"

## PROGRAM OPTIMIZATION

- "[My organization conducts a] weekly review of check runs for potential card payments."
  *Assistant Treasurer,*
  *Large Market manufacturing company*

- "Corporate initiative for 'No P.O., No Pay' helped people shift to p-card for low-dollar items to avoid a P.O."
  *Managing Supervisor for Accounts Payable,*
  *Fortune 500 Size utility provider*

- "We will restrict a vendor from check issuance if it is determined that the vendor has accepted purchasing cards at another [company operation]."
  *Director, Assistant Treasurer*
  *Middle market real estate management company*

- "Web-based system for ordering office supplies using the p-card."
  *Manager of Accounting Services,*
  *Fortune 500 Size manufacturing company*

- "Using the [card issuer] tool to determine if the vendor accepts the card when a new vendor request is received."
  *Lead Cost Accountant,*
  *Fortune 500 Size telecommunications company*

- "We do not process any checks for less than $250 (the vendor must either accept our p-card or wait until their total due exceeds $250)."
  *Corporate Controller,*
  *Middle market manufacturing company*

- "Analyze invoices in system by department to identify potential p-card purchases."
  *Accounts Payable Manager,*
  *State government agency*

- "Target specific vendors for p-card payments."
  *Senior Buyer and p-card Administrator,*
  *University*

- "Targeted services (temporary, legal, etc.) and direct bill vendors (i.e. hotels)."
  *A/P Manager,*
  **Small market manufacturer*

- "Targeting and prohibiting the purchase of particular commodities on a purchase order which are best purchased on a card."
  *Accounting Specialist,*
  *University*

- "Target specific commodities or services for p-card payment."
  *Director of Operations,*
  *State government agency*

- "We provide our highest volume upscale managers with purchase cards that allow cash advances to replenish their cash drawer so they can pay [workers] cash tips."
  *Executive Assistant to CFO,*
  *Corporation service company.*

- "We monitor invoices received in Accounts Payable with the notation of a credit card payment method, and pay with a card. We send out a customized vendor W-9, which is required prior to the vendor receiving a payment by credit card (option 1) or by ACH (option 2). We don't offer checks as a payment option."
  *Transaction Support Manager,*
  *Middle market insurance company*

- "[Use of} spend analysis to demonstrate the potential for an increase in use of cards."
  *Director,*
  *Federal government agency*

- "Use of p-card in the Accounts Payable department for invoices that were missed by the business unit."
  *Purchase-To-Pay Manager,*
  *Large market manufacturing company*

- "We include in all RFPs and Invitations to bid a request that the suppliers accept the p-card"
  *Procurement Card Administrator and Buyer,*
  *University*

- "When a new vendor is setup, it is always asked if they accept p-card as payment."
  *Controller,*
  *Middle market manufacturing company*

- "Having Accounts Payable send back any vouchers under $5,000 that must be paid with the p-card to the departments."
  *Procurement Card Administrator,*
  *University*

- "Our organization is constantly seeking opportunities to work with vendors to accept the p-card for payment."
  *Manager of Corporate Accounting,*
  *Not-for-profit entity*

- "Mandate use with specific vendors and then shut down other avenues for payment (i.e. checks) to that vendor."
  *Controller Affiliate Accounting and Credit Card Services,*
  *Fortune 500 Size real estate company*

- "Our central accounting group's unwillingness to reclassify transactions after reconciliation has saved time for the accountants and created true ownership for cardholders and approvers."
  *Treasury Specialist,*
  *Not-for-profit entity*

"Whenever an individual or a business decides that success has been attained, progress stops.

**Thomas J. Watson**

# Summarizing "Best Practices" and Insights into Program Growth

- *Best Practice Summary Points*
- *The Maturation of Purchasing Card Programs*
- *Maturation in Best Practice and Needs Improvement Programs*

# Summarizing "Best Practices" and Insights into Program Growth

Throughout this Report we provide descriptions of organizational behavior and choices that are associated with higher performing purchasing card programs. High performing "best practice" (BP) programs obtain greater benefits from purchasing card use. Those benefits include increased administrative efficiency, reduced procurement cycle times, reductions in the supplier database, the ability to track and aggregate spending across multiple business units to support negotiations for higher vendor discounts, the ability to track spending with a specific vendor to insure compliance with contractual terms, avoidance of late fees or lost discounts that tend to occur with slow-moving paper-based payments, the elimination of petty cash accounts (and the audit activities associated therewith), reduced time spent filling out credit applications, and simple convenience for employees.

Given the potential benefits of purchasing card use, the purpose of this section is two-fold. First, the section summarizes the activities that separate BP programs from others. Second, we will examine the normal trajectory of a purchasing card program as it matures, with particular emphasis on BP program changes over time. In so doing, we shall see that "best practice" is a journey. Few organizations jump to the head of the pack. Most programs take incremental steps leading toward their objectives.

**Exhibit 97** below summarizes purchasing card program "best practices" as found in this Report. These practices relate to (1) leadership and organizational culture, (2) goals, (3) program management and control (4) policy, (5) assessment of program potential and actions to reach potential, (6) use of different card types and integration of card data into the organization's accounting system, (7) uses of card data to support vendor discounts, (8) supplier relations, and (9) training and communications.

## Leadership

As found in our previous studies, top management support is *sine qua non* to a well functioning purchasing card program. It is also important that employees understand the benefits the card program delivers to the organization.

A more ethereal feature associated with purchasing card program success is organizational culture. Organizations that value innovation, allow employees to experiment, and believe in employee empowerment are more likely to have BP purchasing card programs. Organizational cultures that constrain managers with rules or vigorously resist change are not the fertile soil needed to grow and expand a purchasing card program.

## Goals

Goals motivate actions. Organizations with “best practice” purchasing card programs are likely to be focused on employee convenience, supplier acceptance, and better data–both to control spending and to enhance leverage with suppliers.

## Program Management and Control

Organizations with BP purchasing card programs are more likely to give the purchasing card administrator (PCA) the time needed to manage the program. Further, BP organizations are more likely to establish an “optimized organizational design” for card program management which includes (a) measuring program performance, (b) rewarding outstanding PCA performance, and (c) delegating authority to PCAs to make the decisions necessary to grow the program.

## Policy

There are several key policies that drive spending to the purchasing card. First, employees must have a purchasing card if they are to charge goods and services. Thus, card distribution policy is the bedrock of a healthy purchasing card program. In a related policy matter, card distribution should generally not to be limited to small groups of select employees such as managers. Second, BP organizations encourage activity on purchasing cards by providing employees with healthy per transaction and monthly spending limits.

Third, high activity on purchasing cards is encouraged at BP organizations by empowering a “wide bandwidth” of allowable uses for the purchasing cards, including non-traditional goods and a wide array of services. Finally, BP organizations are more likely to mandate purchasing card use for purchases below a particular dollar amount.

## Assessment of Potential and Actions Steps to Reach Potential

Organizations with BP purchasing card programs are more likely to examine their potential for purchasing card program growth (e.g., by analyzing check payments or reviewing requisition activity) and take concrete actions to reach that potential.

The actions steps to promote program growth include targeting specific commodities, services, or vendors for purchasing card payment, using the bank’s list of card-accepting merchants to identify additional opportunities for purchasing card payment, requiring the Purchasing function to refuse to process requisitions for purchases that can be paid by the purchasing card and requiring AP to send a memo reminding employees who

requisition the purchase of goods or services that these goods or services can be bought with the purchasing card.

## Use of Card Types, Integration with E-Procurement, and Integration of Data

Organizations with BP purchasing card programs are likely to use of a variety of purchasing card types (ghost accounts, Electronic Accounts Payable, and other) to meet their business needs. Further, BP organizations are more likely to seamlessly import and integrate all of their p-card data into their organizational accounting system. In a matter of complementary technologies, BP organizations that use e-procurement portals are more likely to pay for a higher percentage of e-procurement purchases with p-cards.

## Use of Data

A key value addition that the purchasing card program provides the organization is spend visibility. Higher capture of purchasing card spending is associated with higher discounts. Organizations with BP purchasing card programs are more likely to use purchasing card data to obtain higher discounts for goods and services.

## Supplier Relations

Purchasing card programs are supportive of preferred vendor relationships in a variety of ways. Organizations with best practice purchasing card programs are more likely to (a) have a policy that requires cardholders to use "preferred vendors" for specific types of goods or services and (b) have reduced the number of active suppliers maintained in AP master file by virtue of purchasing card use. Suppliers benefit from these actions inasmuch as their card acceptance is increasing their share of business with the card-using organization.

## Training and Communication

Organizations with BP purchasing card programs are more likely to require initial and refresher training for cardholders and approving supervisors. Further, BP organizations are more likely to provide training in a web-based or self-study format.

PCA's managing best practice purchasing card programs are more aggressive about having on-going communications with cardholders and using web-technology to keep cardholders up-to-date on policies and procedures. Additionally, they are significantly more likely to attend purchasing card user conferences to identify new ways to use purchasing cards.

**Exhibit 97**
**Summary of Best Practice Purchasing Card Use**

| |
|---|
| **Leadership and organizational culture** |
| Secure vocal top management support |
| Provide a strong business case to employees |
| Create organizational culture that values innovation, allow employees to experiment, and believe in employee empowerment |
| **Goals** |
| Focus on employee convenience, supplier acceptance, rebates and incentives, enhanced data |
| **Program management and control** |
| Appropriate allotment of Purchasing Card Administrator (PCA) and administrative support time to manage program |
| Measure program performance |
| Incentivize PCA to improve program performance |
| Delegate decision making authority to the PCA to improve program |
| **Program policy** |
| Expand card distribution |
| Use spend-supportive monthly credit limits |
| Support a wide bandwidth of allowable spending categories, including services |
| Mandate procurement of low value purchases on the purchasing card, with directives to Purchasing and AP to enforce |
| **Assessment of potential and action steps** |
| Analyze the program to assess program potential |
| Take action steps to reach program potential |
| Use data mining to explore program potential and control cardholder behavior |
| **Card types and integration of data** |
| Use of different card types (ghost, Electronic Accounts Payable, other) |
| Completely integrate purchasing card data into organizational accounting system |
| Integrate purchasing card as payment tool in e-procurement system |
| **Use of data** |
| Use purchasing card data to obtain more and higher discounts |
| **Supplier relations** |
| When appropriate, cardholder use of "preferred vendors" for specific types of goods or services. |
| **Training and communications** |
| Maintain on-going communications with cardholders |
| Establish training program (web-based and self-study modules) and requirements |
| Provide a Web page for FAQs |

## The Maturation of Purchasing Card Programs

Rarely do organizations leap into a best practice program configuration. As with most new technology, they progress in an incremental fashion toward their goals. **Exhibit 98** shows organization and purchasing card program statistics of similar-size respondents for programs of different ages. Exhibit 98 shows that card distribution increases with the age of the purchasing card program–going from a 5.1% for programs 0-2 years old to 15.4% for programs that are seven or more years old. As card distribution increases with the age of the purchasing card program, we find that total organizational spending rises significantly, though spending and transactions per card decline because of the elevated level of card distribution. The net effect is a pattern of increasingly higher purchasing card spending per employee, steadily rising from $146 in the first two years to $241 after the sixth year of program's existence.

**Exhibit 98**
**Organizational and Purchasing Card Program Statistics for Similar-Size Organizations with Programs in Different Age Categories***
*(all numbers are averages except where indicated otherwise)*

| | Program 0-2 Years Old | Programs 3-6 Years Old | Programs 7 or More Years Old |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 4,448 | 5,538 | 6,056 |
| **Program Performance Measures** | | | |
| Number of purchasing cards | 227 | 536 | 931 |
| Purchasing card-to-employee ratio | 5.1% | 9.7% | 15.4% |
| Average monthly p-card spending | $653,037 | $1,176,780 | $1,458,203 |
| Median monthly p-card spending | $272,500 | $424,500 | $633,795 |
| Transactions under $2,500 placed on p-card | 28% | 44% | 49% |
| Transaction between $2,500 and $10,000 placed on p-card | 20% | 26% | 26% |
| Monthly p-card spending per employee | $146 | $212 | $241 |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 7.62 | 6.81 | 5.45 |
| Spending per transaction | $378 | $323 | $287 |
| Monthly spending per card | $2,877 | $2,196 | $1,567 |
| Inactive cards in a typical month | 21% | 19% | 20% |

* To have a comparable mix of organizational sizes, the exhibit above only included respondents that have more than 500 but less than 36,001 employees.

While increasing card distribution is an important factor for improving the performance of the purchasing card program (as shown in Exhibit 98 above), there are many other card-supportive changes that tend to occur over the life of a purchasing card program. **Exhibit 99** below shows that organizations make a variety of important adjustments to

their purchasing card program over time. As shown in the Exhibit, as purchasing card programs mature, they tend to:

- increase their monthly purchasing card spending limits,
- adopt policies that drive low value transactions to purchasing cards (e.g., Purchasing refusal to process low value requisitions or policies that mandate card use for transactions below a set amount or with a particular vendor),
- relax restrictions regarding who is allowed to be given a purchasing card, moving toward a more egalitarian distribution of cards across the workforce,
- engage in actions geared towards promoting card growth, including targeting specific commodities or services for p-card payment, benchmarking p-card program performance against published benchmark figures, and comparing their p-card program performance against that of similar organizations,
- tighten selected controls, including officially reprimanding or disciplining cardholders who fail to submit receipts in a timely manner, de-activating p-card accounts that are unused for an extended period, and conducting data mining of p-card transactions to identify potential policy violations or p-card misuse, and
- upgrade program support by providing web-based purchasing card training materials, support p-card program administrator attendance at p-card user conferences, install an ongoing method of communicating p-card information, and create a Web site that answers p-card questions.

In sum, most organizations proceed through a learning curve and grow increasingly confident with purchasing card technology over time. This confidence inspires the organization to make the changes necessary (above and beyond increased card distribution) to support purchasing card program growth.

**Exhibit 99**
**Organizational and Purchasing Card Program Statistics for Similar-Size Organizations with Programs in Different Age Categories***

| | Program 0-2 Years Old | Programs 3-6 Years Old | Programs 7 or More Years Old |
|---|---|---|---|
| **Increasing Spending Limits** | | | |
| Monthly spending limit | $8,339 | $8,737 | $10,393 |
| **Changing Policies** | | | |
| Require Purchasing to refuse to process requisitions for purchases that can be paid by p-card | 11% | 14% | 25% |
| Have a policy that requires p-card cardholders to use "preferred vendors" for specific types of goods or services | 33% | 48% | 53% |
| Percent of organizations that mandate p-card use for purchases below a particular dollar amount | 17% | 18% | 25% |
| **Relaxing Restrictions** | | | |
| Restrict card use to managers or supervisors | 26% | 19% | 9% |
| Restrict card use to Purchasing personnel | 12% | 8% | 5% |
| Use departmental cards where the card is not issued in a specific employee's name, but rather to a department | 40% | 28% | 23% |
| Restrict card use to one person per department | 34% | 22% | 22% |
| **Increasing Action to Promote Growth** | | | |
| Target specific commodities or services for p-card payment | 45% | 56% | 62% |
| Benchmark their p-card program performance against published benchmark figures | 8% | 15% | 23% |
| Compare their p-card program performance to that of similar organizations | 17% | 25% | 35% |
| **Tightening Controls** | | | |
| Officially reprimand or discipline cardholders who fail to submit receipts in a timely manner | 55% | 67% | 74% |
| De-activate p-card accounts that are unused for an extended period | 43% | 56% | 60% |
| Conduct data mining of p-card transactions to identify potential policy violations or p-card misuse | 49% | 60% | 70% |
| **Upgrading Program Support** | | | |
| Provide web-based purchasing card training materials | 43% | 50% | 66% |
| Support p-card program administrator attendance at p-card user conferences to identify new ways to use p-cards | 42% | 50% | 62% |
| Have an ongoing method of communicating p-card information | 47% | 55% | 66% |
| Have a Web site that answers p-card questions | 26% | 39% | 53% |

* To have a comparable mix of organizational sizes, the exhibit above only included respondents that have more than 500 but less than 36,001 employees.

## Maturation in Best Practice and Needs Improvement Programs

Both BP and NI organizations also mature and progress in key aspects of purchasing card program configuration. **Exhibit 100** on the next page shows organization and purchasing card program statistics for NI and BP programs with more than 500 but less than 36,001 employees that vary in age from 0-2 years, 3-6 years, and greater than 7 years. The key items of interest across the three age groups are as follows.

***Years 1 and 2.*** The exhibit shows that BP (NI) organizations provide purchasing cards to 6.3% (4.5%) of their employee base. However, BP and NI programs differ significantly in terms of employee use of the cards and the percentage of inactive cards. BP cardholders average 7.56 transactions per month at $322 dollars per transaction; by contrast NI cardholders average 5.02 transactions per month (34% fewer than BP) at $209 per transaction (35% less than BP). When combined, the difference in card use and the average transaction amount results in significantly higher average monthly spending per card by the BP group ($2,437 versus $1,049).

Further, NI programs have almost twice the percentage of cards that are inactive in a given month (30% for NI, 16% for BP). Within the first two years, BP programs are already capturing nearly half of the under $2,500 transactions by card payment, while NI programs place only 14% of under $2,500 payments. Additionally, nearly a third of $2,500 to $10,000 transactions are paid by purchasing cards at BP organizations, while only 4% of these transactions are paid by purchasing card at NI organizations.

***Years 3-6.*** As BP and NI programs near their early stage of maturity, the differences between the categories grow. BP programs significantly expand card distribution (from 6.3% to 15.4%) across the employee base, while NI programs engage in a very modest expansion (from 4.5% to 5.7%). Average monthly purchasing card spending at BP programs increases by 121% (from $789,565 to $1.7 million), while average monthly purchasing card spending at NI programs increases by 47% (from $247,947 to $364,218). Major differences in the capture of transactions, spending per employee, inactive cards, and spending per card continue to exist.

***After 6 Years.*** Both BP and NI programs older than six years continue to expand card distribution (from 15.4% to 21.7% for BP, 5.7% to 9.5% for NI) though the gap between the groups remains large. BP cardholders average $1,808 per month of card charges, 70% higher than NI counterparts (at $1,061). BP median monthly purchasing card spending, which was five times higher than NI organizations in years 1-2, is now six time higher. After six years, BP programs are capturing nearly three-quarters of their under $2,500 transactions on the p-card, while NI programs capture only 21% of these transaction on the card. A similarly large gap exists for $2,500 to $10,000 transactions.

Thus, we conclude that, very early in the life cycle of a program, some organizations recognize and capitalize on the benefits of p-card use and takes action steps to encourage its use. By contrast, other programs struggle with card distribution and those employees given purchasing cards exhibit little interest in using the purchasing card.

**Exhibit 100**
**Organizational and Purchasing Card Program Statistics for Similar-Size Best Practice and Needs Improvement Organizations Across Age Categories***
*(all numbers are averages except where indicated otherwise)*

| | Best Practice Group | | | Needs Improvement Group | | |
|---|---|---|---|---|---|---|
| | 0-2 Years Old | 3-6 Years Old | 7 + Years Old | 0-2 Years Old | 3-6 Years Old | 7 + Years Old |
| **Company Statistics** | | | | | | |
| Number of employees | 5,120 | 4,739 | 4,803 | 5,294 | 4,805 | 4,699 |
| Age of program | 1.25 | 4.74 | 10.85 | 1.16 | 4.60 | 10.35 |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 324 | 732 | 1,044 | 236 | 273 | 448 |
| Card-to-employee ratio | 6.3% | 15.4% | 21.7% | 4.5% | 5.7% | 9.5% |
| Average monthly p-card spending | $789,565 | $1,741,319 | $1,887,194 | $247,947 | $364,218 | $475,890 |
| Median monthly p-card spending | $500,000 | $1,092,229 | $1,200,000 | $100,000 | $180,000 | $200,000 |
| Transactions under $2,500 placed on p-card | 48% | 63% | 72% | 14% | 20% | 21% |
| Transactions between $2,500 and $10,000 placed on p-card | 31% | 42% | 50% | 4% | 6% | 5% |
| Monthly p-card spending per employee | $154 | $367 | $393 | $47 | $76 | $101 |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 7.56 | 7.31 | 6.45 | 5.02 | 4.96 | 4.77 |
| Spending per transaction | $322 | $326 | $280 | $209 | $269 | $222 |
| Monthly spending per card | $2,437 | $2,378 | $1,808 | $1,049 | $1,333 | $1,061 |
| Inactive cards in a typical month | 16% | 15% | 17% | 30% | 24% | 20% |

* To have a comparable mix of organizational sizes, the exhibit above only included respondents that have more than 500 but less than 36,001 employees.

## Conclusion

This section summarizes the activities that separate “best practice” programs from those that “need improvement” and examines the normal growth trajectory of a purchasing card program as it matures toward enhanced performance. Further, the section examines both BP and NI organizations as they mature and progress in key aspects of purchasing card program performance. Our examination indicated that very early in the life cycle of a BP program, the organization recognizes and capitalizes on the benefits of purchasing card use and takes action steps to encourage such use.

# **Innovation** at Work

## Customers share their "best practices"

## NEW DIMENSIONS

- "The use of ghost cards as payment method for all transactions processed through our eProcurement MarketPlace."
  *Assistant Director,*
  *University*

- "Control is the key to expansion. [We] are rolling-out a cutting edge [e-payables] based real-time oversight mechanism which will be the enabler of future growth."
  *Sr. Finance Manager,*
  *Fortune 500 Size company*

- "Use p-card in A/P for payment of miscellaneous invoices where vendors accept credit card payment. Use p-card in P.O. payables to pay vendors that accept credit cards for payments. These will be replaced by virtual card settlement in the first quarter of 2010."
  *Director of University Payables,*
  *University*

- "Using ghost cards for payments to prime vendors, such as office supplies and scientific supplies."
  *Director,*
  *University*

- "Purchasing card is now our preferred method of payment and everyone knows it."
  *Purchasing Card Administrator,*
  *Large market company*

- "We have a department which has a ghost account at a local pharmacy where clients must purchase prescriptions. This has been a big help for the department."
  *Financial Systems Administrator,*
  *County government agency*

- "Single supplier cards to ease reconciliation."
  *Executive Director of Purchasing and Business Services,*
  *University*

"Success is a lousy teacher. It seduces smart people into thinking they can't lose."

**Bill Gates**

2010 PURCHASING CARD BENCHMARK SURVEY RESULTS

14

# The Organizational Wallet and Dual Use of Purchasing Card

- *Use of Other Card Platforms*
- *Use of Purchasing Cards for Travel*
- *Impact of Travel on Purchasing Card Program Performance*

# The Organizational Wallet and Dual Use of Purchasing Card

Within the world of commercial cards there are a variety of card types (or “platforms”). The most common of these are the corporate travel card, the purchasing card, and the fleet card. Generally, purchase cards are used to acquire low-value goods and services; travel cards are used to facilitate employee travel on company business and primarily used to purchase airfare, hotels, and auto rentals; and fleet cards support employee purchases of fuel and other automotive services for company vehicles. Each card type has its own features and is suited to a purpose consistent with its name.

Notwithstanding, it is common for organizations to use purchasing cards to pay for travel or, at least, not restrict charges for travel services from being procured by purchasing card. Conversely, as we reported in our 2009 Travel Card Benchmark Survey Results, it is also common for organizations to pay for non-travel goods and services on the travel card, or at least not restrict travel card payment for such items. Many organizations have both the purchasing and travel card. The distinctions between the cards appears to revolve around three issues: (1) the degree to which the card is used to suit a particular business need, (2) the underlying business processes and software into which the card spending data must fit, and (3) preferences related to the liability regime associated with the card (e.g., corporate, individual). Thus, while some organizations put almost all travel and low-value purchases on one or another card platform, other organizations simply make sundry purchases without regard to card platform or label. For example, an administrative assistant can pay for a hotel meeting room with a purchasing card or a salesperson can use his or her travel card to purchase a new computer hard drive while on the road.

The purpose of this section is to examine the use of different card platforms by respondents and the impact of travel spending on purchasing card performance.

## Use of Other Card Platforms

First, it is important to recognize that what is bought with purchasing cards is, in part, driven by other card payment options available to employees. Across all respondents, more than two-thirds of purchasing card-using organizations also have corporate travel cards, 58% have fleet cards, 18% have event/meeting cards, and 2% have relocation cards. The use of the other card platforms is influenced by the size and type of organization. For example, **Exhibit 101** on the next page shows that 92% of Fortune 500 Size companies provide employees with travel cards, while only 81% of Large Market, 73% of Middle Market, and 55% of Government and Not-for-Profit organizations do the same. Fortune 500 Size companies are also more likely than organizations in other categories to use "event" and "relocation" cards.

**Exhibit 101**
**Percent of Respondents with Card Platforms in Addition to Purchasing Cards, by Type of Organization**

| Percent of Organizations with Card Account | Fortune 500 Size | Large Market | Middle Market | Government and Not-for-Profit | All Respondents |
|---|---|---|---|---|---|
| Corporate travel card | 92% | 81% | 73% | 55% | 68% |
| Fleet/fuel card | 61% | 64% | 53% | 57% | 58% |
| Event/meeting/conference card | 34% | 18% | 11% | 17% | 18% |
| Relocation card | 9% | 6% | 0% | 0% | 2% |

## Use of Purchasing Cards for Travel

Because a higher percentage of larger companies have a corporate card, we find that relatively fewer larger companies use the purchasing card to pay for travel spending. For example, **Exhibit 102** shows that, among Fortune 500 Size companies (of which 92% provide employees with travel cards) only 51% allowed purchasing cards to also be used for travel spending in 2009. By contrast, among Middle Market corporations (of which 73% provide employees with travel cards), 84% allow purchasing cards to also be used for travel spending. Exhibit 102 also reveals a larger phenomenon that has been occurring in the market over the past decade – a continuing movement toward multiple uses of the purchasing card platform. In every corporate size category and among Government and Not-for-Profit organizations the percent of respondents allowing purchasing card payment for travel services has increased over time.

**Exhibit 102**
**Percent of Organizations Using Purchasing Cards to Pay for Travel Spending in 2005, 2007, and 2009, by Type of Organization**

| Percent of Organizations Using Purchasing Card to Pay for Travel Spending | Fortune 500 Size | Large Market | Middle Market | Government and Not-for-Profit |
|---|---|---|---|---|
| 2005 | 27% | 46% | 73% | 72% |
| 2007 | 42% | 61% | 80% | 75% |
| 2009 | 51% | 69% | 84% | 79% |

## Impact of Travel on Purchasing Card Program Performance

To examine the impact of putting travel spending on the purchasing card, we divided the Fortune 500 Size response into two similar size groups, one that allows travel spending on their purchasing cards and a second group that does not allow travel. **Exhibit 103** shows the results of this breakdown. The exhibit indicates that, in comparison to Fortune 500 Size companies that do not allow travel spending, Fortune 500 Size companies that allow travel spending on purchasing cards report:

- significantly higher distribution of cards across the employee base (12.9% versus 3.9%),
- 46% higher average monthly purchasing card spending ($3.1 million versus $2.1 million) and 41% higher median monthly purchasing card spending ($2 million versus $1.5 million), and
- 79% higher purchasing card spending per employee ($161 versus $90).

Interestingly, the average transaction amount at Fortune 500 Size companies that allow travel spending on purchasing cards is significantly lower ($237 versus $329), undoubtedly pulled down by travel transactions (which were found to average $173 per transaction in our 2009 Corporate Travel Card Benchmark Survey). Further, 98% of Fortune 500 Size companies that do not allow travel spending on purchasing cards have provided employees with a travel card, while 88% of those that allow travel spending on purchasing cards have also provided employees with a travel card.

**Exhibit 103**
**Purchasing Card Program Performance, by Fortune 500 Size Corporations that Allowed and Did Not Allow Travel Spending On Purchasing Card**
*(all numbers are averages except where indicated otherwise)*

| | Fortune 500 Size with Travel Spending Allowed | Fortune 500 Size with No Travel Spending Allowed |
|---|---|---|
| **Company Statistics** | | |
| Number of employees | 19,362 | 23,677 |
| Age of program | 7.22 | 7.81 |
| **Program Performance Measures** | | |
| Number of purchasing cards | 2,493 | 927 |
| Card-to-employee ratio | 12.9% | 3.9% |
| Average monthly p-card spending | $3,114,897 | $2,128,979 |
| Median monthly p-card spending | $2,050,000 | $1,450,000 |
| Transactions under $2,500 placed on p-card | 40% | 44% |
| Transactions between $2,500 and $10,000 placed on p-card | 29% | 24% |
| Monthly p-card spending per employee | $161 | $90 |
| **Cardholder Activity Measures** | | |
| Monthly transactions per card | 5.28 | 6.98 |
| Spending per transaction | $237 | $329 |
| Monthly spending per card | $1,249 | $2,296 |
| Active cards in a typical month | 81% | 83% |
| Percent with travel card | 88% | 98% |

## Conclusion

The movement toward the use of purchasing cards for travel (either in an ad hoc or systematic fashion) continues to grow in the marketplace across all organizational types and particularly among smaller organizations. In 2009, the majority of respondents allow travel spending on purchasing cards even though many also have a corporate travel card.

Allowing travel spending on the purchasing card has an impact on the purchasing program. Specifically, companies that allow travel spending on their purchasing card report, on average, a 46% increase in monthly spending. In addition, companies that use the purchasing card for travel spending significantly increase the percentage of employees given a purchasing card.

# Global Use of the Purchasing Card

- *Globalization of the Purchasing Card Program*
- *Purchasing Card Spending Profile of Multinational Companies*
- *Challenges and Future Growth*

# Global Use of the Purchasing Card

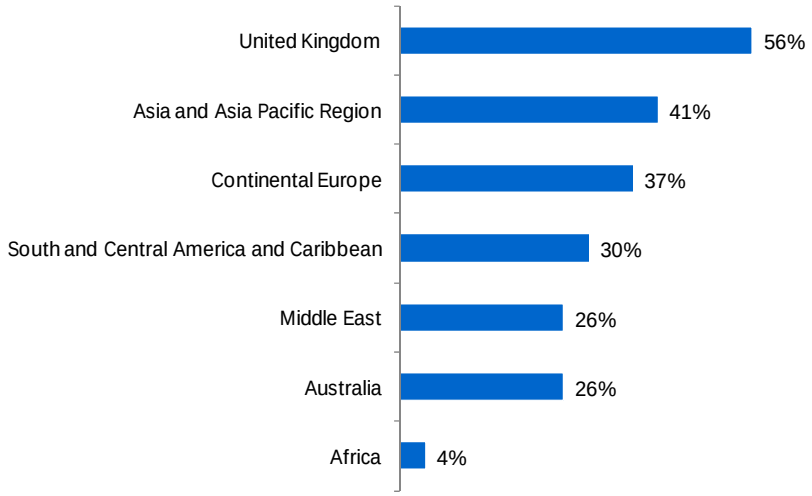
The globalization of business operations continues to impact organizations in North America. Organizations with global business interests are in need of convenient card products that are portable across borders and continents. The purpose of this section is to examine the extent to which organizations are giving purchasing cards to employees outside of North America and the types of arrangements that are made to support global use of the purchasing card.

## Globalization of the Purchasing Card Program

Thirty-one percent of Corporate survey respondents identified themselves as "a multinational company (MNC) with significant operations and sales in multiple continents around the globe." However, only 33% of MNCs responding to the survey report issuing purchasing cards to employees in business units located outside of North America.

**Exhibit 104** examines the geographic distribution of purchasing cards outside of North America. The exhibit indicates that, of respondents that provide purchasing cards to employees outside of North America, the majority of companies (56%) report having purchasing cards in the United Kingdom. Less commonly, companies issue purchasing cards to employees in business units located in Asia and Asia Pacific Region (41%), Continental Europe (37%), South and Central America and the Caribbean (30%), the Middle East (26%), Australia (26%), and Africa (4%).

**Exhibit 104**
**Percent of Respondents that Have Purchasing Cards In Different Geographic Regions (of Respondents that Provide Purchasing Cards to Employees Located Outside of North America)**



Purchasing cards issued to employees outside of North America can be denominated in U.S. dollars or in local currencies. Purchasing cards denominated in local currencies are more likely, but not necessarily, associated with local card-issuing banks that partner with North American banks to meet the global purchasing needs of their customers. **Exhibit 105** shows the percentage of organizations across different geographic regions whose cards are denominated in U.S. dollars.

**Exhibit 105**
**Percent of Organizations that Denominate Purchasing Cards Outside of North America in U.S. Dollars**

| Geographic Regions | |
|---|---|
| Africa | 33% |
| Continental Europe | 39% |
| United Kingdom | 48% |
| Australia | 53% |
| South and Central America and Caribbean | 53% |
| Middle East | 56% |
| Asia and Asia Pacific Region | 58% |

## Purchasing Card Spending Profile of Multinational Companies

**Exhibit 106** on the next page provides a snapshot of average annual purchasing card spending (within and outside of North America) by multinational Fortune 500 Size companies (MNC) with significant operations and sales across multiple continents around the globe. The exhibit indicates that, on average, a Fortune 500 Size MNC has 88.1% of its purchasing cards in the United States, 9.7% in Canada, .3% in Mexico, and 1.9% outside of North America. Further, while the business units outside of North America account for 1.9% of the company's cards (14 of 743), spending on those cards accounts for 6.9% of the company's global purchasing card spending ($3.39 million out of $49.22 million).

Exhibit 106 shows that average purchasing card spending as a percent of sales revenue at business units inside of North America is .56%; by contrast, purchasing card spending as a percent of sales revenue at business units outside of North America is .10%. Thus, a nearly six-fold opportunity exists in the "capture" of spending on purchasing cards outside of North America.

Exhibit 106 also shows that the average annual spending per purchasing card is significantly higher outside of North America ($248,049 versus $62,910 within North America). Thus, it appears that at this time purchasing cards outside of North America

follow a centralized card distribution model (wherein fewer employees or the Purchasing function only is provided a card).

**Exhibit 106**
**Program Statistics of Multinational Fortune 500 Size Companies with Purchasing Card Outside of North America**

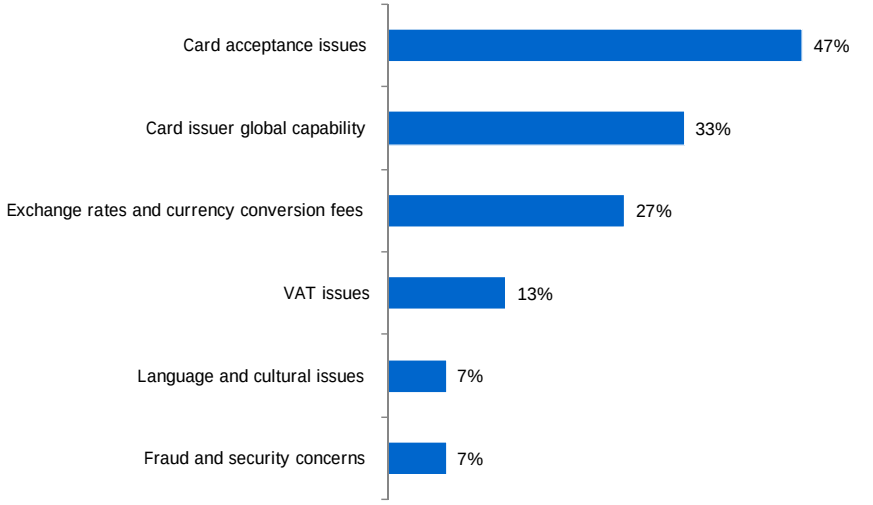
| | North American Component: | Non-North American Component: | Total |
|---|---|---|---|
| **Annual Sales Revenue** | | | |
| Revenue | $8.1 B | $3.3 B | $11.4 B |
| **Number of Purchasing Cards** | | | |
| Number of purchasing cards, Canada | 72 | | |
| Number of purchasing cards, Mexico | 2 | | |
| Number of purchasing cards, U.S. | 655 | | |
| Number of purchasing cards outside of North America | | 14 | 14 |
| Total number of cards | 729 | 14 | 743 |
| **Purchasing Card Spending** | | | |
| Average annual purchasing card spending | $45,830,100 | $3,390,000 | $49,220,100 |
| **Other Program Performance Measures** | | | |
| Purchasing card spending as a percent of revenue | 0.56% | 0.10% | 0.43% |
| Annual spending per purchasing card | $62,910 | $248,049 | $66,319 |

In sum, there appears to be a significant opportunity for companies to expand purchasing card spending outside of North America. If the non-North American component of the Fortune 500 Size MNCs under review spent the same percentage of revenue on their purchasing cards as their North American business components, total organizational purchasing card spending would increase by more than $15 million dollars per year (with non-North American spending going from $3.39 million to $18.48 million), driving total purchasing card spending to $64.31 million, a 31% increase over current spending of $49.22 million.

## Challenges and Future Growth

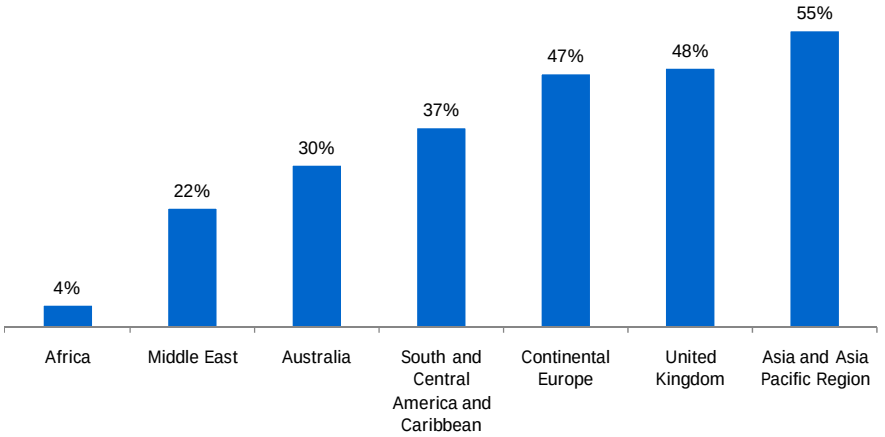
While there may be significant opportunity for purchasing card spending growth outside of North America, there are some major challenges to be met in the global arena. **Exhibit 107** summarizes a categorization of responses to an open-ended question asking respondents to identify the "major challenges they encountered in using purchasing cards outside of North America." As indicated in the exhibit, card acceptance is the most frequently identified challenge to purchasing card use outside of North America, accounting for 47% of responses. Other challenges, less frequently noted, include card issuer capability (33%), exchange rates and currency conversion fees (27%), VAT tax reclamation issues (13%), fraud and security concerns (7%), and language and cultural issues (7%).

**Exhibit 107**
**Major Challenges Identified by Organizations that Provide Purchasing Cards to Employees Outside of North America**




Going forward, **Exhibit 108** on the next page indicates a high percentage of respondents expect continued purchasing card spending growth in Asia and Asia Pacific Region (55%) and the United Kingdom (48%) and Continental Europe (47%). A lower percentage of respondents expect growth in South and Central America and Caribbean (37%), Australia (30%), the Middle East (22%), and Africa (4%).

**Exhibit 108**
**Percent of Respondents (that Provide Purchasing Cards to Employees Outside of North America) Expecting Purchasing Card Spending Growth in Different Geographic Regions**




## Conclusion

Purchasing cards continue to expand across the globe. Survey responses indicate that only 33% of MNCs presently issue purchasing cards to employees in business units located outside of North America. Survey results indicate that, of respondents that provide purchasing cards to employees outside of North America, the majority of companies report having purchasing cards in the United Kingdom. Purchasing cards denomination outside of North America is about evenly split—with half of the cards denominated in U.S. dollars and half in the local currency.

Among Fortune 500 Size MNCs respondents, average spending outside North America comprised 6.9% of their total p-card program spend. The average p-card spending as a percent of sales revenue at business units inside of North America is .56%; by contrast, p-card spending as a percent of sales revenue at business units outside of North America is .10%. Thus, a nearly six-fold opportunity exists in the "capture" of spending on the purchasing card across the geographic regions located outside of North America.

While there may be significant opportunity for purchasing card spending growth outside of North America, there are some major challenges to be met in the global arena, particularly with respect to card acceptance, card issuer capability, exchange rates and currency conversion fees, VAT tax reclamation issues, fraud and security concerns, and language and cultural issues.

Going forward, the highest percentage of respondents expect continued purchasing card spending growth in Asia and Asia Pacific Region (55%), the United Kingdom (48%), and Continental Europe (47%).

# Purchasing Card Policy Violation and Misuse

- *Policy Violation and Fraud Definitions*
- *Card Misuse, Overall, and by Type of Organization*
- *Prevalence and Significance of Misuse*
- *Perceptions of Card Misuse*
- *Policy Violation, Overall and by Type of Organization*
- *Perceptions of Policy Violation*
- *Prevalence and Significance of Policy Violations*
- *Trade-offs in Card Use and Abuse*

# Purchasing Card Policy Violation and Misuse

Purchasing cards are occasionally misused, though not nearly as frequently as the popular press would have one believe. Our past surveys have reported financially insignificant levels of card misuse. The purpose of this section of the report is to identify the nature of purchasing card misuse and policy violations.

## Policy Violation and Fraud Definitions

The 2009 Survey asked several questions relating to major categories of inappropriate card use experienced by organizations in connection with policy violations, misrepresented spending, and fraudulent use of purchasing cards. Purchasing card policy violations are internal issues related to cardholders' spending that is in conflict with organizational guidelines. Common examples of policy violations include the purchase of more, or of higher quality, goods/services than desired by the organization, work related purchases made from unauthorized vendors or by unauthorized employees, and purchases made without receiving the proper authorization prior to the purchase. Unlike other forms of card misuse, policy violations do not ordinarily lead to a dispute about the responsibility for the charge with an external party. Essentially, policy violations call for improvement in an organization's internal processes and procedures related to the use and governance of purchasing cards by authorized cardholders.

The second category of inappropriate card activity is often used interchangeably with "card misuse." Specifically, we call the second category "fraudulent or misrepresented use of the purchase card" and define those events as follows:

- *fraud* occurs when any unauthorized user charges goods or services to the purchase card. When such an action is carried out by a third party, the incident is referred to as *external fraud*. Alternatively, when the unauthorized cardholder is an employee of the organization and he or she uses the card for personal purchases, the action is referred to as *internal fraud*.

- *card misrepresentation* is an event in which an authorized cardholder makes a personal transaction on the purchasing card and "misrepresents" the purchase as a bona fide business charge.

## Card Misuse, Overall and by Type of Organization

**Exhibit 109** presents a summary of loss experienced by the card-using organizations related to misrepresentation and internal and external fraud. The exhibit is broken down into the median dollar loss per incident and the total loss to the organization as a percent of total purchasing card spending for each category of misuse. Consistent with the findings in our previous surveys, the losses associated with purchase card fraud and employee misrepresentation remain relatively insignificant, accounting for .008% of purchasing card spending, or .8 "basis points," which is the equivalent of $80 of fraud and misrepresentation loss to the organization for every $1 million of purchasing card spending.[9]

**Exhibit 109**
**Loss to Card-Using Organizations from Misrepresentation and Internal and External Frauds**

| | Employee Misrepresentation | Internal Fraud | External Fraud | Total Fraud and Misrepresentation |
|---|---|---|---|---|
| Median dollars per incident | $250 | $1,125 | $347 | $500 |
| Loss to organization as a percent of purchasing card spending | .004% | .002% | .003% | .008% |

**Exhibit 110** on the next page shows the differences in card misuse between the Corporate and Government and Not-for-Profit segments. Overall, losses due to fraud and misrepresentation as a percentage of purchasing card spending are higher in the Corporate (.009%) than the Government and Not-for-Profit segment (.007%). The largest difference between the two groups relates to losses associated with employee misrepresentation of purchasing card charges, where Corporations report a loss as a percent of purchasing card spending of .005%, while Government and Not-for-Profit organizations report a loss of .002%.

[9] This figure is notably lower than that found in 2007 (.025%). The difference is also due to the fact that our question in the 2009 survey inquired of the loss to their organization, and not the total amount of the loss itself.

**Exhibit 110**
**Loss as a Percent of Purchasing Card Spending from Misrepresentation and Internal and External Fraud, by Corporations and Government and Not-for-Profit Organizations**

| | Employee Misrepresentation# | Internal Fraud^ | External Fraud* | Total Fraud and Misrepresentation |
|---|---|---|---|---|
| Corporations | .005% | .001% | .003% | .009% |
| Government and Not-for-Profit Organizations | .002% | .002% | .003% | .007% |

## Prevalence and Significance of Misuse

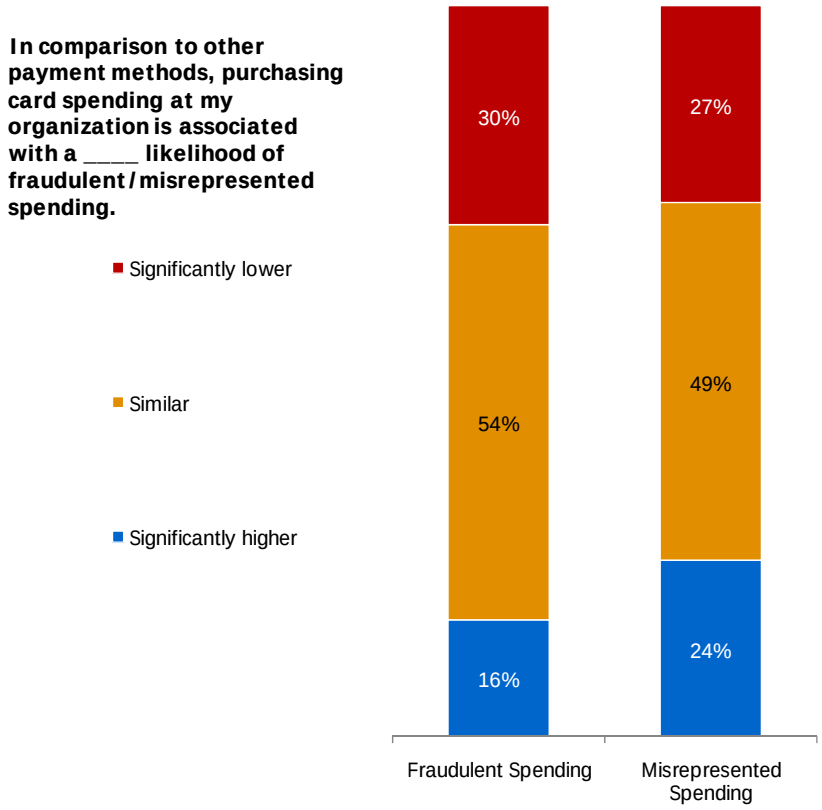
In most cases when misuse of the purchase card occurs, the damage is minimal. In fact, 67% of purchasing card fraud and employee misrepresentation incidents resulted in a no direct loss to the card-using organization.[10] Moreover, the bulk of fraudulent and misrepresented card spending is concentrated in a small percent of organizations. Among the incident reporting organizations, 76% of the total organizational loss associated with external fraud, internal fraud, and employee misrepresentation was concentrated. in only thirty-one organizations.

## Perceptions of Card Misuse

**Exhibit 111** on the next page indicates respondent perceptions of the comparative likelihood of fraudulent or misrepresented spending between purchasing cards and other payment methods. The exhibit shows that, in comparison to other payment methods, 84% and 76% of respondents believe that purchasing card spending is associated with a similar or lower likelihood of fraudulent or misrepresented spending, respectively.

[10] Unfortunately, the 2009 survey did not include questions about how the loss was absorbed – whether by the card issuer, recouped from the offending employees, or by another means to make whole the organization for damage from the misuse.

**Exhibit 111**
**Perception of Comparative Susceptibility of Purchasing Card Use to Fraudulent and Misrepresented Spending**




## Policy Violation, Overall and by Type of Organization

As noted above, policy violations take many forms (depending on organizational program guidelines) but do not ordinarily lead to a dispute about responsibility for the charge. Essentially, policy-violations call for improvement in an organization's internal processes and procedures related to the use and governance of purchasing cards by authorized cardholders. **Exhibit 112** on the next page summarizes the loss experience by card-using organizations related to different types of policy violations. The exhibit shows that, in aggregate, the loss associated with purchase card policy violations remains relatively insignificant, accounting for .006% of purchasing card spending--which is the equivalent of $60 of policy violations for every $1 million of purchasing card spending.

**Exhibit 112**
**Loss to Card-Using Organizations from Policy Violations**

| | Cardholder purchases larger quantity of good or service than desired by organization | Cardholder purchases goods or services of a higher quality than desired by organization | Cardholder purchases from unauthorized or non-preferred vendor | Purchase of goods and services made by an employee not authorized to use p-card | Cardholder purchases good or service without receiving appropriate authorizations prior to purchase (if required) | Total Policy Violation |
|---|---|---|---|---|---|---|
| Median loss per incident | $1,000 | $300 | $100 | $275 | $500 | $250 |
| Average loss as a % of annual p-card spending | .001% | .000% | .002% | .001% | .002% | .006% |

**Exhibit 113** shows the differences in policy violation loss between Corporate and Government and Not-for-Profit segments. Overall, loss from policy violations as a percentage of purchasing card spending is higher in the Corporate (.008%) than the Government and Not-for-Profit segment (.005%).

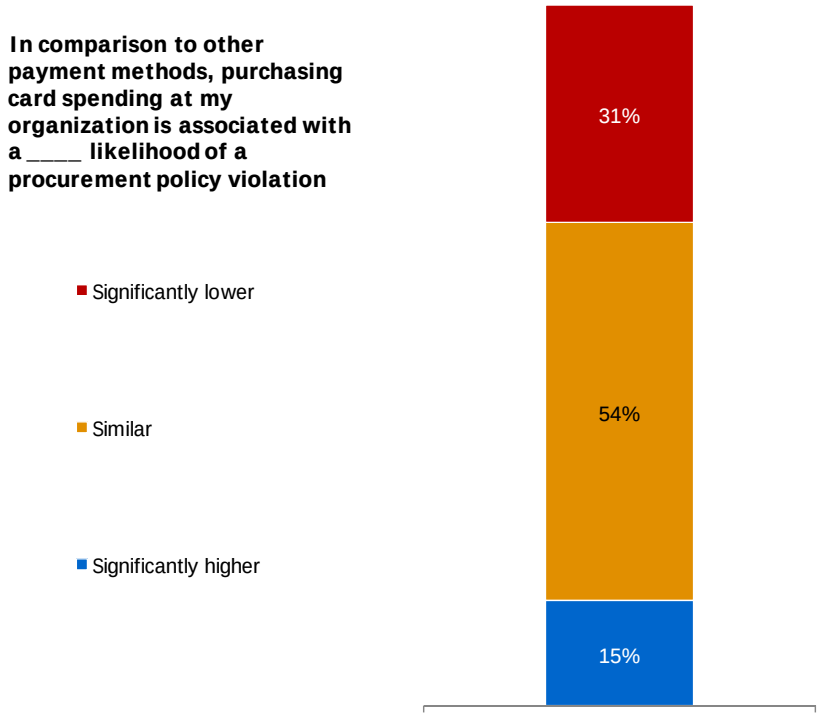
**Exhibit 113**
**Loss as a Percent of Purchasing Card Spending from Policy Violations, by Corporations and Government and Not-for-Profit Organizations**

| | Total Policy Violation Loss to the Organization as a Percent of Purchasing Card Spending |
|---|---|
| Corporations | .008% |
| Government and Not-for-Profit Organizations | .005% |

## Perceptions of Policy Violations

**Exhibit 114** on the next page indicates respondent perceptions of the comparative likelihood of policy violations between purchasing card and other payment methods. The exhibit shows that, in comparison to other payment methods, 85% of respondents believe that purchasing card use is associated with a similar or lower likelihood of procurement policy violations.

**Exhibit 114**
**Perception of Comparative Susceptibility of Purchasing Card Use to Policy Violation**




## Prevalence and Significance of Policy Violations

The financial damage to the organization from purchasing card policy violations is rarely a significant event. Moreover, the loss due to policy violations is concentrated in a small percent of organizations. Among the incident reporting organizations, 82% of the total organizational loss associated with policy violations was concentrated in only 25 respondents.

## Trade-offs in Card Use and Abuse

While all card misuse is unacceptable, the dollars of misuse resulting from incidents related to policy violations, misrepresentation, and fraud are insignificant at the program level, especially when netted against the superseding administrative cost efficiencies generated by card use. For example, a $1 million spending on purchasing card generates approximate administrative $235,081 in administrative cost savings (based on the sample average transaction amount of $302, the $1 million is associated with 3,311 card transactions each of which generates, on average, $71 of administrative cost savings over paper-based processing methods as shown in Exhibit 33).

## Conclusion

The Survey results presented in this section indicate that purchase card misuse, which can be defined to include a combination of policy violations, misrepresentation, and fraudulent spending, is relatively insignificant in financial terms. Collectively, losses to the card-using organization from these challenges account for .014% of purchasing card spending, which is the equivalent of $140 of misuse for every $1 million of purchasing card spending (broken down as .008% for fraud and misrepresentation and .006% for policy violations). Mathematically, the losses are a minute fraction of the administrative cost savings and other benefits attributable to card use. Further, the majority of fraudulent or misrepresented purchases occur in a very small number of organizations.

# Trends in Customer Satisfaction

- *Economics*
- *Service and Support*
- *Data Transmission*
- *Data Integration*
- *Impact of Integration on Organizational Performance*
- *Card Program Management Technology*
- *Reporting Technology*
- *Gap Summary across All Importance-Satisfaction Categories*

# Trends in Customer Satisfaction

Six sections in the Survey had questions that consisted of two parts; the first asking respondents about the importance and the second asking about the satisfaction with respect to: (1) economic elements of card use, (2) card issuer service and support of the purchasing card product, (3) transmission of data associated with card purchases, (4) integration of card data with business information systems, (5) card program management technology, and (6) capabilities of purchasing card reporting software. The greatest value of the importance/satisfaction component of the Survey is that it reveals strengths to build upon and opportunities to make improvements.

When the level of importance is high and the level of satisfaction is significantly lower, the resulting "satisfaction dissonance" should be addressed by redeploying resources to raise the level of user satisfaction. Card users can benefit from this analysis by recognizing satisfaction gaps specific to their organization and working with their card issuer to address them. The card issuer can benefit by proactively addressing and managing these gaps for users' benefit.

Notable positive satisfaction gaps--which this report labels as "customer satisfaction successes"--are identified as those satisfaction scores that are 0.50 points or more higher than the sample average importance rating (measured on a seven point scale where 1=very dissatisfied and 7=very satisfied). Notable negative satisfaction gaps--which this report labels as "opportunities to increase customer satisfaction"--are identified as those satisfaction scores that are 0.50 points or more lower than the sample average importance rating.

## Economics

**Exhibit 115** on the next page shows respondent ratings of the importance of and satisfaction with nine economic factors associated with purchasing cards in ascending order of importance. As shown in the exhibit, customer satisfaction on six of nine economic factors outweighs the perceived importance of those factors. The positive satisfaction gaps (where satisfaction is greater than importance) are for cash advance fees, foreign exchange fees, the cost of lost/stolen card replacement, and large dollar transaction costs. Satisfaction in 2009 continued to improve over the levels observed in 2007. For example, satisfaction with liability protection for lost/stolen cards increased from 5.86 in 2007 to 6.03 in 2009. Overall, card users appear to be very satisfied with the economics aspects of their purchasing card program.

**Exhibit 115**
**Importance of and Satisfaction with Factors that Influence Purchasing Card Economics**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Importance | Satisfaction | Difference (Sat – Imp) |
|---|---|---|---|
| **Factors Influencing Purchasing Card Economics** | | | |
| Cash advance fees | 2.34 | 4.32 | 1.98 |
| Foreign exchange fees | 3.20 | 4.32 | 1.12 |
| Large dollar transaction costs | 4.62 | 5.14 | 0.52 |
| Cost of lost/stolen card replacement | 4.95 | 5.84 | 0.89 |
| Bank fees to obtain p-cards | 5.55 | 5.90 | 0.35 |
| Overall economic relationship with card issuer in relation to p-cards | 5.65 | 5.68 | 0.03 |
| Liability protection from employee misuse of p-card | 5.75 | 5.73 | -0.02 |
| Rebates/incentives tied to p-card spending | 5.89 | 5.43 | -0.46 |
| Liability protection for lost/stolen cards | 6.06 | 6.02 | -0.04 |

Several questions about customer satisfaction with the factors related to purchasing card economics identified in Exhibit 115 have also been asked in previous surveys. **Exhibit 116(a)** and **Exhibit 116(b)** on the next page show the pattern of customer satisfaction with factors related to purchasing card economics over the past seven years. Exhibit 116(b) on the next page reflects small but steady increases in customer satisfaction since 2005 on the four of the five most important economic dimensions of card use.(including liability protection for lost/stolen cards, liability protection from employee misuse, bank fees, and the overall economic relationship with the card issuer in relation to purchasing cards).

**Exhibit 116(a)**
**Satisfaction with Factors that Influence Purchasing Card Economics, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***

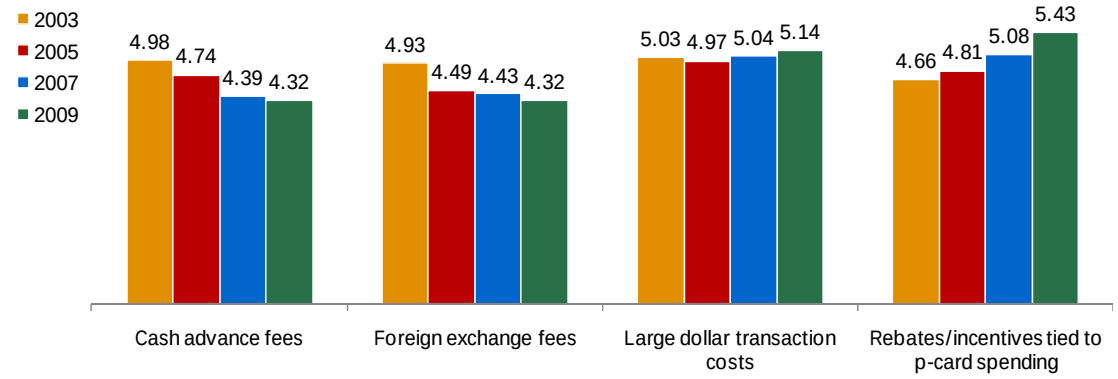
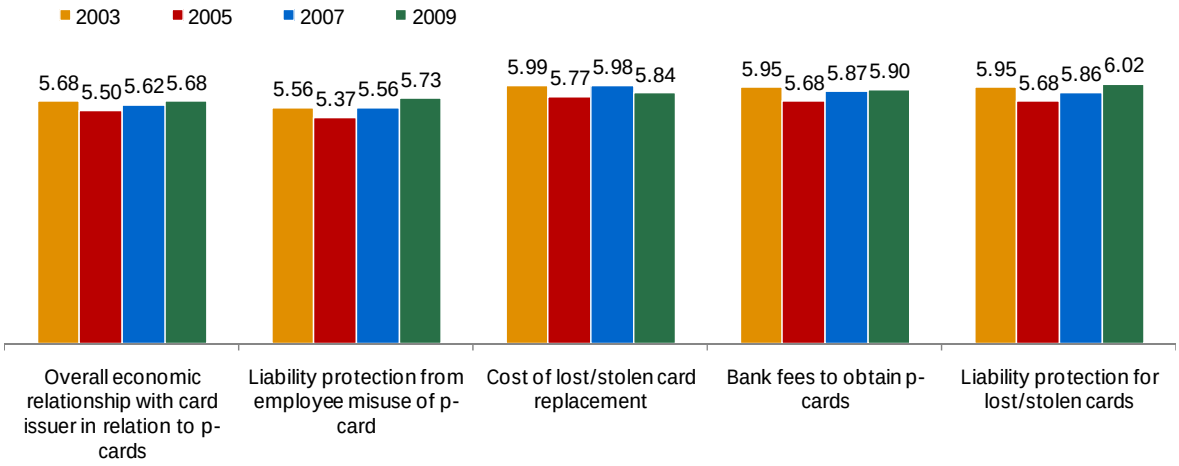



**Exhibit 116(b)**
**Satisfaction with Factors that Influence Purchasing Card Economics, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***



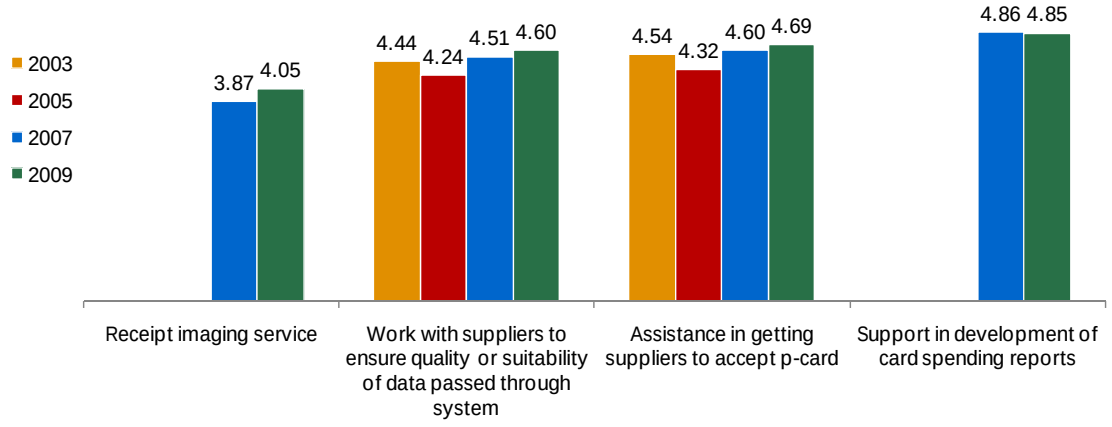
## Service and Support

**Exhibit 117** shows respondent ratings of the importance of and satisfaction with sixteen purchasing card customer service and support factors in ascending order of importance. Negative satisfaction gaps exist in fifteen items of customer service and support. The satisfaction gap is positive for "Sponsorship of p-card User Conferences or other training programs." The largest negative satisfaction gap appears in "Overall customer service and support." However, it should be noted that there have been steady improvements in satisfaction with customer service since 2005. **Exhibits 118(a)** through **118(d)** on subsequent pages illustrate satisfaction over time with respect to the sixteen factors of customer service and support. Satisfaction increased from 2005 to 2007 for all fourteen items measured in both years. Satisfaction for ten of these fourteen items increased again between 2007 and 2009. Moreover, though not shown, all negative satisfaction gaps between satisfaction and importance have shrunk since 2007.

**Exhibit 117**
**Importance of and Satisfaction with Purchasing Card Service and Support**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Importance | Satisfaction | Difference (Sat – Imp) |
|---|---|---|---|
| **Customer Service and Support** | | | |
| Receipt imaging service | 4.21 | 4.05 | -0.16 |
| Sponsorship of p-card User Conferences or other training programs | 4.75 | 5.05 | 0.30 |
| Assistance in getting suppliers to accept p-card | 4.93 | 4.69 | -0.24 |
| Work with suppliers to ensure quality or suitability of data passed through system | 5.01 | 4.60 | -0.41 |
| Knowledge of your organization's purchasing/payables software and business process | 5.36 | 4.95 | -0.41 |
| Assistance identifying best applications for p-card | 5.39 | 5.04 | -0.35 |
| Support in development of card spending reports | 5.41 | 4.85 | -0.56 |
| Training materials and support | 5.68 | 5.16 | -0.52 |
| Hours of help desk availability | 5.87 | 5.71 | -0.16 |
| Average time elapsed for help desk to resolve a problem | 6.00 | 5.53 | -0.47 |
| Friendliness and respect shown by p-card issuer support personnel | 6.12 | 5.89 | -0.23 |
| Speed of lost/stolen p-card replacement | 6.16 | 5.96 | -0.20 |
| Handling of disputed transactions | 6.17 | 5.70 | -0.47 |
| Quality of help from help desk | 6.18 | 5.57 | -0.61 |
| Service and support in p-card program implementation | 6.24 | 5.64 | -0.60 |
| Overall customer service and support | 6.30 | 5.60 | -0.70 |

**Exhibit 118(a)**
**Satisfaction with Elements of Customer Service and Support, 2003, 2005, 2007, and 2009***
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***




* Some questions identified above were not asked in 2003 and 2005, resulting in missing bars in those cases.

**Exhibit 118(b)**
**Satisfaction with Elements of Customer Service and Support, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***

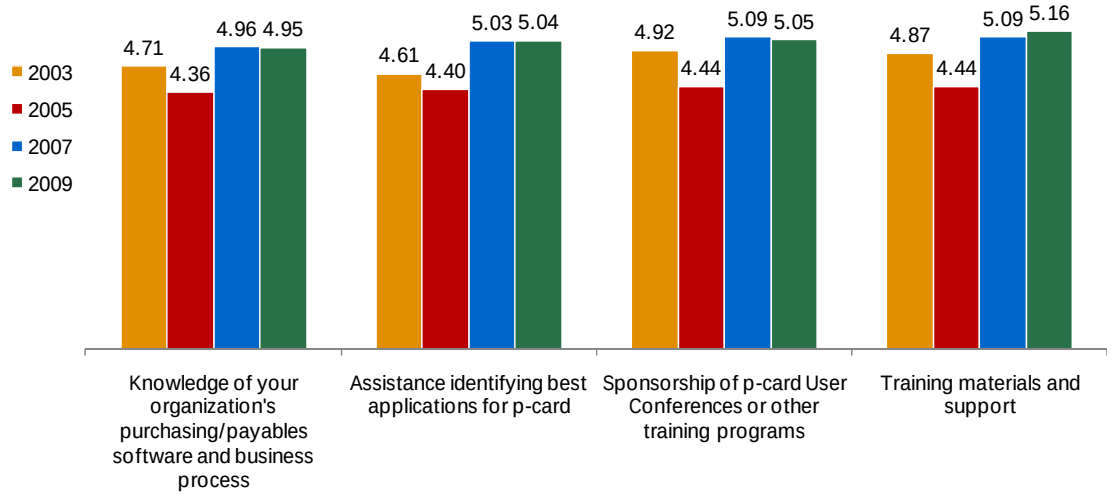
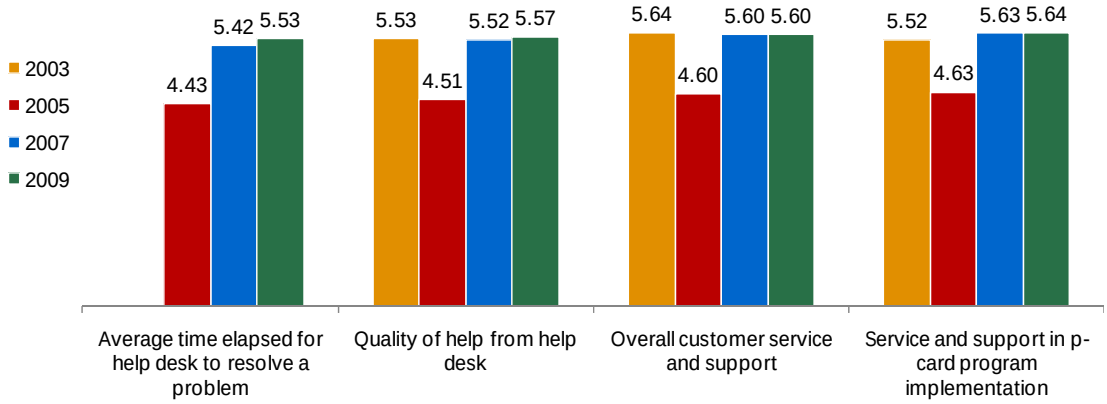
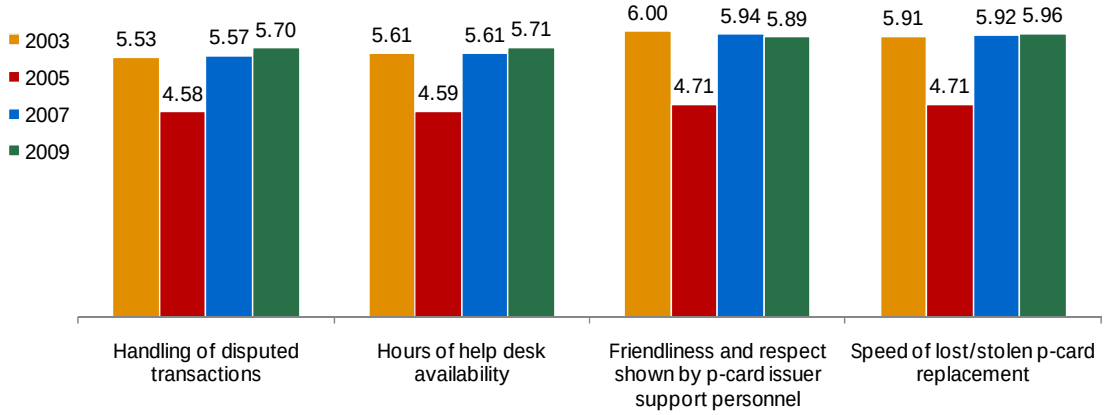


**Exhibit 118(c)**
**Satisfaction with Elements of Customer Service and Support, 2003, 2005, 2007, and 2009***
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***




* Some questions identified above were not asked in 2003, resulting in a missing bar in those cases.

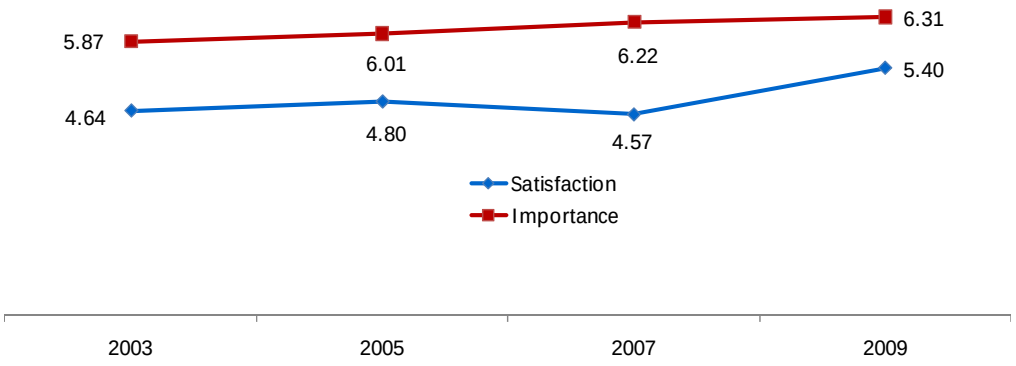
**Exhibit 118(d)**
**Satisfaction with Elements of Customer Service and Support, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***



## Data Transmission

Keeping up with continuously evolving technical aspects of collecting and transmitting data associated with card purchases through the card network has been a significant challenge to card brands and issuers and is an on-going endeavor with different types of solutions emerging in the marketplace. **Exhibit 119** shows that customer satisfaction with overall capture of transaction-related information increased significantly since 2007, though it remains notably lower than the importance customers place on this item (which has risen steadily since 2003). Exhibit 119 shows customer responses regarding the importance of and their satisfaction with overall card capture of transaction-related information in 2003, 2005, 2007, and 2009. Satisfaction has risen from 4.64 in 2003 significantly to 5.40 in 2009 while the importance of obtaining transaction-related information has remained relatively stable over this same time period (hence, a smaller gap). Given ongoing progress in the delivery of data, it appears that card issuers and brands are responding to a high standard set by their customers on this point.

**Exhibit 119**
**Importance of and Satisfaction with Overall Capture of Transaction-Related Information, 2003, 2005, 2007, and 2009**
***(where 1 = Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***




## Data Integration

Seamless transfer and integration of data from the card issuer and into the card user's information system increases the value of the card product in the market. However, this is a significant challenge in a world characterized by a multitude of different software providers, applications, and technical standards.

**Exhibit 120** on the next page shows respondent ratings of the importance of and satisfaction with four items associated with data integration in ascending order of importance. There are two items with notable positive satisfaction gaps: the ability to "consolidate p-card spending from multiple North American sites into one single report "

and the ability "to consolidate p-card spending from multiple global and North American sites into one report."

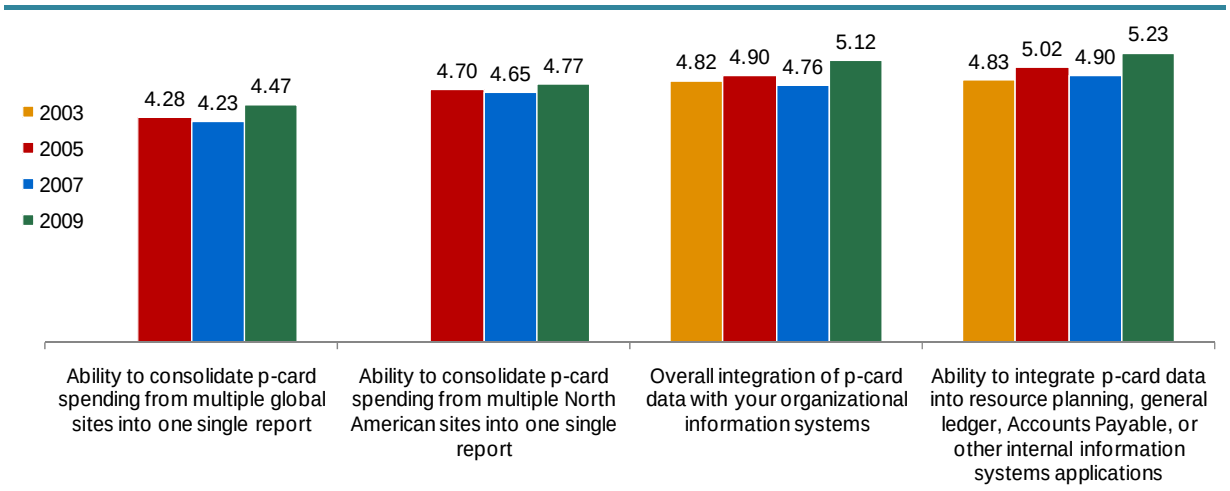
The other two aspects of data integration—the ability to integrate purchasing card data into resource planning, general ledger, Accounts Payable, or other internal information systems applications and the overall integration of purchasing card data with organizational information systems--have notable negative satisfaction gaps.

**Exhibit 120**
**Importance of and Satisfaction with Aspects of Purchasing Card Data Integration**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Importance | Satisfaction | Difference (Sat – Imp) |
|---|---|---|---|
| **Data Integration** | | | |
| Ability to integrate p-card data into resource planning, general ledger, Accounts Payable, or other internal information systems applications | 5.97 | 5.23 | -0.74 |
| Ability to consolidate p-card spending from multiple North American sites into one single report | 3.89 | 4.77 | 0.88 |
| Ability to consolidate p-card spending from multiple global sites into one single report | 3.14 | 4.47 | 1.33 |
| Overall integration of p-card data with your organizational information systems | 5.72 | 5.12 | -0.60 |

**Exhibit 121** illustrates satisfaction over time with respect to the four aspects of data integration. Across the sample, satisfaction with all four items has increased since 2007.

**Exhibit 121**
**Satisfaction with Aspects of Purchasing Card Data Integration, 2003, 2005, 2007, and 2009***
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***




* Some questions identified above were not asked in 2003 and 2005, resulting in missing bars in those cases.

**Exhibit 122** reveals remaining challenges associated with system integration. Forty-one percent of all respondents manually input some or all of their purchasing card spending data into their general ledger, Accounts Payable, or other internal system (down from 48% in 2007). Most of these respondents re-enter all of their data (as indicated by the high median percentages found in the last column of the exhibit). Universities, Fortune 500 Size, and Large Market corporations are less likely to manually input purchasing card data, probably due to the resource availability or the ubiquity of a particular type of purchasing-card friendly accounting software used by these organizations. Middle Market corporations have the highest incidence of data reentry. Manual reentry of data is a pure loss of the efficiency promised by card use. Thus, progress has been made and yet more is to be done to enable purchasing card users to eliminate this unnecessary activity.

**Exhibit 122**
**Respondents Who Manually Input Purchasing Card Spending Data, by Organizational Type**

| | 2007 % of Respondents Manually Inputting Some or All P-Card Spending Data into GL, AP, or Other Internal Information System | 2009 % of Respondents Manually Inputting Some or All P-Card Spending Data into GL, AP, or Other Internal Information System | 2009 Mean (Median) Percent of P-Card Transactions Manually Input by Those That Manually Input Data |
|---|---|---|---|
| **Corporations** | | | |
| Fortune 500 Size | 40% | 30% | 40% (20%) |
| Large Market | 44% | 28% | 62% (99%) |
| Middle Market | 56% | 58% | 77% (100%) |
| **Government and Not-for-Profit** | | | |
| State and Federal Agencies | 48% | 37% | 78% (100%) |
| Cities and Counties | 52% | 45% | 67% (100%) |
| Universities | 35% | 31% | 63% (95%) |
| School Districts | N/A | 48% | 88% (100%) |
| Not-for-Profit | N/A | 47% | 58% (80%) |
| **Total Sample** | | | |
| Total Sample | 48% | 41% | 68% (100%) |

## Impact of Integration on Organizational Performance

Our analysis indicates that a notable difference in data integration between the "best practice" (BP) and "needs improvement" (NI) organizations that were constructed in Chapter 7 of this Report. **Exhibit 123** on the next page shows that 67% of BP organizations seamlessly import and integrate all of their purchasing data into their organizational accounting systems, while only 53% of NI organizations have this capability. Since a higher

percentage of BP organizations import all of their card data into their accounting system, one would expect BP organizations to report higher satisfaction with data integration than their NI counterparts. In fact, Exhibit 123 shows that BP organizations do report notably higher satisfaction than NI organizations with the overall integration of purchasing card data with their organizational information systems (5.48 versus 4.81).

**Exhibit 123**
**Differences in Purchasing Card Data Integration with Organizational Accounting System between the Best Practice and Needs Improvement Groups**

| | Best Practice Group | Needs Improvement Group |
|---|---|---|
| **Purchasing Card Data Integration** | | |
| Percent of organizations of which 100% of p-card data is seamlessly imported and integrated into organizational accounting system | 67% | 53% |
| Satisfaction with overall integration of p-card data with your organizational information systems (where 1=very dissatisfied; 7=very satisfied) | 5.48 | 4.81 |

To determine how data integration into the accounting infrastructure affects the organization, we examined Fortune 500 and Large Market companies that did and did not completely integrate card data into their accounting system (overall, 71% of respondents in this group report that 100% of their p-card data is seamlessly imported and integrated into their organizational accounting system). We divided the group into similar size organizations that did and did not report 100% integration. The results are shown in **Exhibit 124** on the next page. The exhibit shows that Corporations that do and do not have complete integration of purchasing card data with their accounting system have similar card distribution and monthly purchasing card spending. However, Corporations that do not have full integration of purchasing card data into their accounting system are:

- significantly less satisfied with their card issuer's knowledge of their organization's purchasing/payables software and business process, their ability to self-manage the purchasing card program, the overall ability of bank technology to support purchasing card program management, and (naturally) their ability to integrate p-card data into resource planning, general ledger, Accounts Payable, or other internal information systems applications,
- almost twice as likely to be considering switching card issuer (17% versus 31%).

**Exhibit 124**
**Organization, Program Performance, and Customer Satisfaction of Those With and Without Full Integration of Purchasing Card Data into Accounting System, by Fortune 500 Size and Large Market Companies**
*(all numbers are averages except where indicated otherwise)*

| | Have Full Integration 2009 | Do Not Have Full Integration 2009 |
|---|---|---|
| **Company Statistics** | | |
| Number of employees | 12,158 | 12,916 |
| **Program Performance Measures** | | |
| Number of purchasing cards | 786 | 863 |
| Card-to-employee ratio | 6.5% | 6.7% |
| Average monthly p-card spending | $1.6 M | $1.6 M |
| Median monthly p-card spending | $1 M | $.9 M |
| **Integration of P-Card Data with AP** | | |
| Percent of organizations whose p-card data is seamlessly imported and integrated into organizational accounting system | 100% | 0% |
| **Data Capture** | | |
| [Card issuer] knowledge of your organization's purchasing/payables software and business process | 5.26 | 4.49 |
| Ability to self-manage the p-card program | 5.78 | 5.05 |
| Overall ability of bank technology to support p-card program management | 5.60 | 4.86 |
| Ability to integrate p-card data into resource planning, general ledger, Accounts Payable, or other internal information systems applications | 5.77 | 4.53 |
| **Switching** | | |
| Percent of organizations currently considering switching p-card issuers | 17% | 31% |

Thus, we conclude that seamless integration of purchasing card data into the accounting infrastructure is an important element of customer satisfaction that may influence the customer's perception of bank technology and support and affect the organization's decision to switch card issuers.

## Card Program Management Technology

**Exhibit 125** shows respondent ratings of the importance of, and satisfaction with, ten purchasing card-related program management software capabilities in ascending order of importance. Generally, respondents place greatest importance on card program management software capabilities that enable them to self-manage their card programs in real-time fashion. Specifically, respondents placed the highest importance on the card program administrator's real-time ability to (1) terminate/order p-cards, (2) obtain access to information on card spending approvals/declines, (3) modify spending limits, and (4) perform cardholder data maintenance.

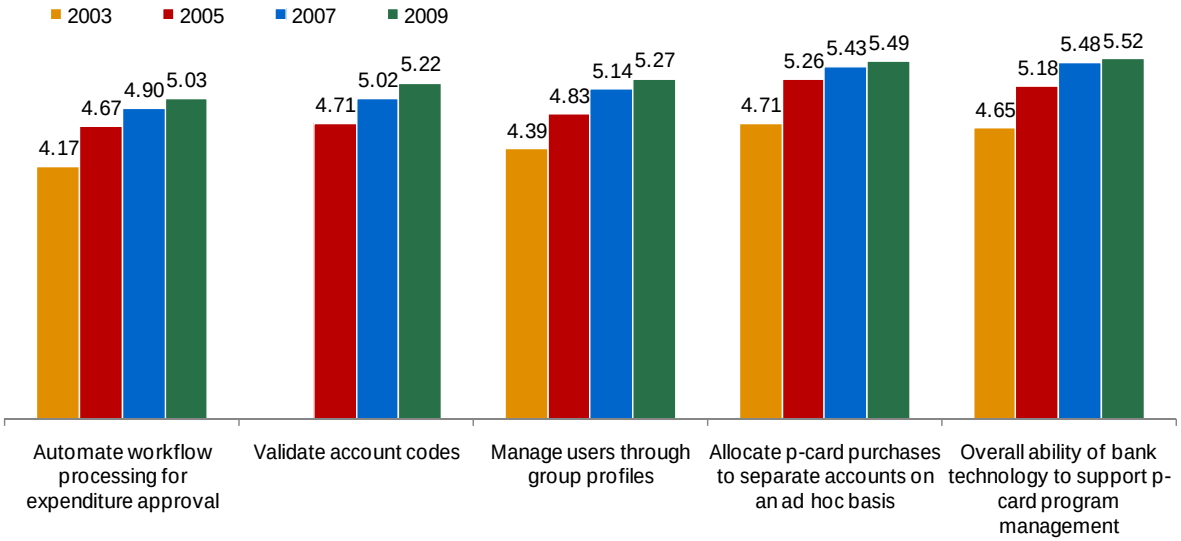
The most notable negative gaps between the importance of and satisfaction with technology are associated with (1) the overall ability of bank technology to support purchasing card program management, and (2) obtain real-time access to information on card spending approvals/declines.

**Exhibit 125**
**Importance of and Satisfaction with Software Technology Features Related to Card Program Management**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Importance | Satisfaction | Difference (Sat – Imp) |
|---|---|---|---|
| **Ability of Purchasing Card Administrator to:** | | | |
| Automate workflow processing for expenditure approval | 5.12 | 5.03 | -0.09 |
| Manage users through group profiles | 5.29 | 5.27 | -0.02 |
| Validate account codes | 5.45 | 5.22 | -0.23 |
| Allocate p-card purchases to separate accounts on an ad hoc basis | 5.46 | 5.49 | 0.03 |
| Self-manage the p-card program | 6.10 | 5.65 | -0.45 |
| Overall ability of bank technology to support p-card program management | 6.22 | 5.52 | -0.70 |
| Perform cardholder data maintenance (e.g., address changes) in real time | 6.32 | 5.89 | -0.43 |
| Modify spending limits in real-time | 6.44 | 6.12 | -0.32 |
| Obtain real-time access to information on card spending approvals/declines | 6.45 | 5.91 | -0.54 |
| Terminate/order p-cards in real-time | 6.47 | 6.08 | -0.39 |

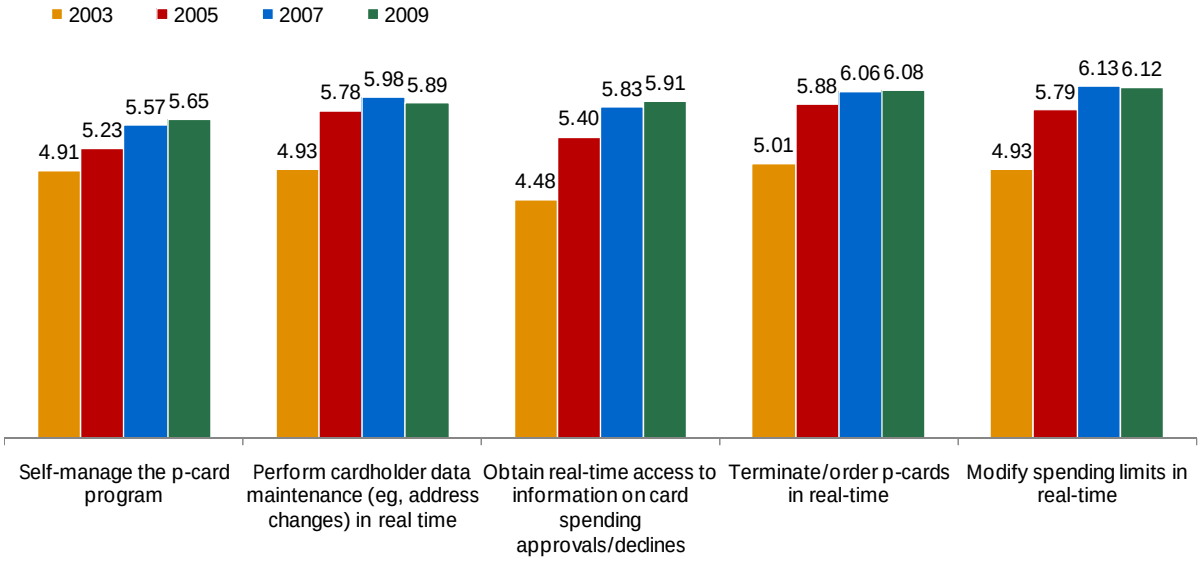
Several questions regarding customer satisfaction with the card technology feature items identified in Exhibit 125 have also been asked in previous surveys in 2003, 2005, and 2007. **Exhibits 126(a)** and **126(b)** on the next page show the pattern of customer satisfaction with card issuer technology features over the past seven years. The exhibit reflects continuous improvement on most card technology feature items.

**Exhibit 126(a)**
**Satisfaction with Software Technology Features Related to Card Program Management, 2003, 2005, 2007, and 2009***
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***




* Some questions identified above were not asked in 2003, resulting in a missing bar in those cases.

**Exhibit 126(b)**
**Satisfaction with Software Technology Features Related to Card Program Management, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***



## Reporting Technology

Card issuer reports of purchasing card activity are basic tools that enable card administrators to better manage and evaluate the success of their card programs. **Exhibit 127** displays respondent ratings of the importance of, and satisfaction with, eleven aspects of purchasing card reporting in ascending order of importance. The exhibit shows that the most important aspect of reports is simple readability. After this, respondents place greater importance on (a) overall reporting package, (b) access to current and previous cardholder statements, (c) the ability to customize reports to the needs of the business, (d) the length of transaction history, and (e) disputed transaction tracking. The next tier of importance for reporting technology items includes spend analysis, the ability of cardholders to obtain statements by e-mail or from Internet/Intranet, card misuse analytics, and the ability to generate p-card program performance metrics. There are notable negative gaps between respondents rating of the importance of and their satisfaction regarding the "ability to customize reports to needs of business," the "overall reporting package," the "ability to generate p-card program performance metrics," "disputed transaction tracking," "spend analysis," and "card misuse analytics." Additionally, a notable negative importance/satisfaction gap exists for the most important item in Exhibit 127, the "readability of reports."

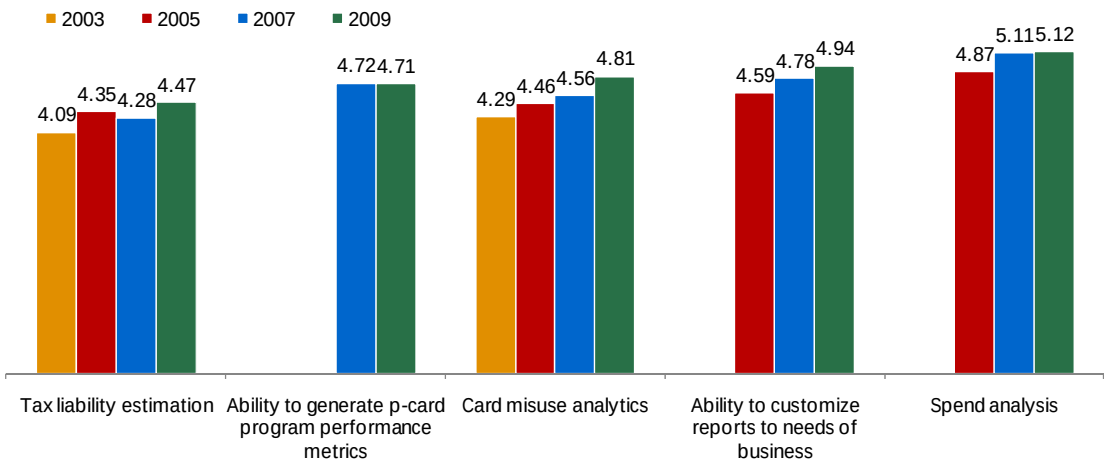
**Exhibit 127**
**Importance of and Satisfaction with Elements of Purchasing Card Reporting**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Importance | Satisfaction | Difference |
|---|---|---|---|
| **Reporting** | | | |
| Tax liability estimation | 4.32 | 4.47 | 0.15 |
| Ability to generate p-card program performance metrics | 5.43 | 4.71 | -0.72 |
| Card misuse analytics | 5.45 | 4.81 | -0.64 |
| Ability of cardholders to obtain statements by e-mail or from Internet/Intranet | 5.64 | 5.57 | -0.07 |
| Spend analysis | 5.77 | 5.12 | -0.65 |
| Disputed transaction tracking | 5.87 | 5.22 | -0.65 |
| Length of transaction history | 5.92 | 5.53 | -0.39 |
| Ability to customize reports to needs of business | 5.92 | 4.94 | -0.98 |
| Access to past/current cardholder statements | 5.98 | 5.61 | -0.37 |
| Overall reporting package | 6.07 | 5.17 | -0.90 |
| Readability of reports | 6.22 | 5.56 | -0.66 |

Several questions regarding customer satisfaction with the purchasing card reporting items identified in Exhibit 127 have also been asked in previous surveys in 2003, 2005,

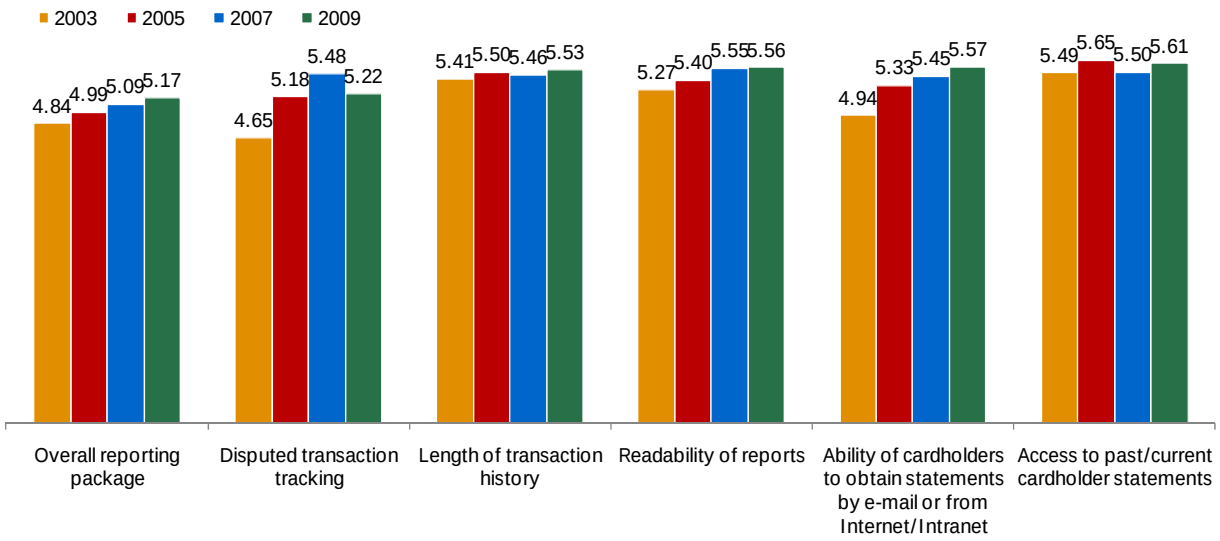
and 2007. **Exhibits 128(a)** and **128(b)** shows the pattern of customer satisfaction with purchasing card reporting over the past seven years. As with card technology features, the exhibit reflects continuous improvement in customer satisfaction over the past seven years on several reporting items listed (and, in the case of the "overall reporting package," satisfaction has risen consistently over the past 7 years).

**Exhibit 128(a)**
**Satisfaction with Elements of Purchasing Card Reporting, 2003, 2005, 2007, and 2009***
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***




* Some questions identified above were not asked in 2003 and 2005, resulting in missing bars in those cases.

**Exhibit 128(b)**
**Satisfaction with Elements of Purchasing Card Reporting, 2003, 2005, 2007, and 2009**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***



## Gap Summary across All Importance-Satisfaction Categories

**Exhibit 129** summarizes scores related to the importance of and satisfaction with various elements of purchasing card programs by presenting the six "catch-all" questions about service and technology asked in each area; to wit: purchasing card (1) economics, (2) customer service and support, (3) data transmission, (4) data integration, (5) program management technology, and (6) reporting technology, in ascending order of importance.

Exhibit 129 discloses that the most important overall endeavor of card issuers continues to be customer service and support, an area where customer satisfaction has improved markedly over the past five years. In fact, over the two year period from 2007 through 2009, the level of satisfaction has increased and the importance-satisfaction gaps have decreased for all six factors. The exhibit also shows that the largest gap remains in the "overall capture of transaction and related information"; however, even here it must be noted that the gap has reduced notably over the past two years (from -1.65 in 2007 to -.91 in 2009).

**Exhibit 129**
**Summary of Gap Analysis**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | 2005 | | | 2007 | | | 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Imp. | Sat. | Gap | Imp. | Sat. | Gap | Imp. | Sat. | Gap |
| **Card Issuer Performance Item** | | | | | | | | | |
| Overall economic relationship with card issuer in relation to p-cards | 4.73 | 5.50 | 0.77 | 5.73 | 5.62 | -0.11 | 5.65 | 5.68 | 0.03 |
| Overall integration of p-card data with your organizational information systems | 6.00 | 4.76 | -1.24 | 6.13 | 4.90 | -1.23 | 5.72 | 5.12 | -0.60 |
| Overall reporting package | 6.09 | 4.99 | -1.10 | 6.20 | 5.09 | -1.11 | 6.07 | 5.17 | -0.90 |
| Overall ability of bank technology to support p-card program management | 6.11 | 5.18 | -0.93 | 6.32 | 5.48 | -0.84 | 6.22 | 5.52 | -0.70 |
| Overall customer service and support | 6.29 | 4.60 | -1.69 | 6.43 | 5.60 | -0.83 | 6.30 | 5.60 | -0.70 |
| Overall capture of transaction-related information | 6.01 | 4.80 | -1.21 | 6.22 | 4.57 | -1.65 | 6.31 | 5.40 | -0.91 |

## Conclusion

Overall, we note a steady increase customer satisfaction since 2001 with almost all aspects of the purchasing card value proposition, including purchasing card economics, data transmission, data integration, software, and reporting. Between 2007 and 2009, notable improvement in customer service and support are impressive. However, the opportunity to increase customer satisfaction in this arena still remains. Finally, our analysis indicates the organization's ability to seamlessly integrate its purchasing card data into its accounting system is a "best practice" that, if not accomplished, may lead to strong dissatisfaction with the card issuer and switching.

# Customer Satisfaction and Its Relation to Card Program Performance

- Impact of Satisfaction on Card Program Performance
- Switching Behavior
- Frequency and Rationale for Past Switching
- Specific Items for Improvement
- Impact of Satisfaction with Card Issuer on Purchasing Card Program Performance

# Customer Satisfaction and Its Relation to Card Program Performance

The purpose of this section of the Report is to explore the connection between customer satisfaction and card program performance and organizational intent to switch card issuers.

## Impact of Satisfaction on Card Program Performance

To determine whether a relationship exists between satisfaction and card program performance, we summed the satisfaction scores from the fifty-one Survey items asked across the six categories of interest discussed in the previous chapter (economics, service and support, data transmission, data integration, card program management technology, and reporting technology). We then placed respondents who were in the top and bottom quartiles of the summed satisfaction score into two groups: the "high satisfaction" group (top quartile satisfaction scores) and the "low satisfaction" group (bottom quartile satisfaction scores). We then compared key card program performance and cardholder activity measures between groups, as shown in **Exhibit 130** on the next page.

Exhibit 130 shows that "satisfaction matters." In comparison to respondents with low satisfaction, organizations with high satisfaction report significantly higher (1) monthly organizational spending, (2) purchasing card distribution, and (3) spending per employee. Exhibit 130 also highlights some key points about low satisfaction organizations. For example, organizations with low satisfaction are more likely to be Corporations (rather than Governmental or Not-for-Profit entities) and to have a purchasing card program that is less than five years old. Further, the largest difference between satisfaction norms for the two groups exists in the area of "overall integration of p-card data with your organizational information systems." Though not shown, only 46% of the low satisfaction respondents report that 100% of their p-card data is seamlessly integrated into their accounting system (as opposed to 71% of the high satisfaction group). Other large differences in satisfaction rating also appear for each of our other five "overall" questions. Thus, it appears that card issuers can improve the value delivered to customers (in particular, those that are corporations or have new programs) by carefully managing expectations and paying close attention to technology issues these organizations faced by these organizations.

**Exhibit 130**
**Impact of Satisfaction on Purchasing Card Performance**

| | High Satisfaction | Low Satisfaction |
|---|---|---|
| | | |
| Number of employees | 6,177 | 5,692 |
| Number of purchasing cards | 772 | 540 |
| Average monthly purchasing card spending | $1,310,773 | $839,319 |
| Median monthly purchasing card spending | $457,806 | $347,500 |
| P-card-to-employee ratio | 12.5% | 9.5% |
| Spending per employee | $212 | $148 |
| **Type of Organizations** | | |
| Corporations | 36% | 53% |
| Government and Not-for-Profit | 64% | 47% |
| **Age of Program** | | |
| One to 4 years old | 27% | 39% |
| Five years or older | 73% | 61% |
| **Largest Differences in Satisfaction** | | |
| Overall integration of p-card data with your organizational information systems | 6.48 | 3.11 |
| Overall ability of bank technology to support p-card program management | 6.70 | 3.58 |
| Overall reporting package | 6.52 | 3.69 |
| Overall customer service and support | 6.62 | 4.40 |
| Overall economic relationship with card issuer in relation to p-cards | 6.63 | 4.83 |
| Overall integration of p-card data with your organizational information systems | 6.20 | 5.24 |

Using the same “high satisfaction” and “low satisfaction” groups used to create Exhibit 130, **Exhibit 131** shows that respondents in the low satisfaction group are much more likely to consider switching card issuers than members of the “high satisfaction” group (23% versus 6%).

**Exhibit 131**
**Past and Prospective Switching Behavior by Level of Satisfaction**

| | High Satisfaction | Low Satisfaction |
|---|---|---|
| | | |
| Currently considering switching card issuer | 6% | 23% |
| Switched card issuer in the past | 41% | 47% |

To examine if customer satisfaction differs by program performance, we compare the six overall satisfaction scores of "best practice" (BP) and "needs improvement" (NI) organizations. **Exhibit 132** shows that BP organizations have higher satisfaction scores than their NI counterparts in five of the six elements. BP organizations are particularly more satisfied than their NI counterparts with "overall integration of p-card data with organizational information systems."

**Exhibit 132**
**Satisfaction with Overall Measures of Purchasing Card Issuer Performance, by Best Practice and Needs Improvement Groups**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***

| Item | Best Practice | Needs Improvement | Difference |
|---|---|---|---|
| Overall economic relationship with card issuer in relation to p-cards | 5.85 | 5.58 | 0.27 |
| Overall customer service and support | 5.69 | 5.62 | 0.07 |
| Overall reporting package | 5.11 | 5.15 | -0.04 |
| Overall ability of bank technology to support p-card program management | 5.60 | 5.46 | 0.14 |
| Overall capture of transaction-related information | 5.54 | 5.25 | 0.29 |
| Overall integration of p-card data with your organizational information systems | 5.48 | 4.81 | 0.67 |

**Exhibit 133** on the next page summarizes satisfaction-importance gaps of BP and NI organizations with respect to the six overall measures of purchasing card program. The exhibit shows that the gaps are similar across BP and NI organizations indicating that while BP organizations are more satisfied, they also expect more from their card program, card technology and card issuer.

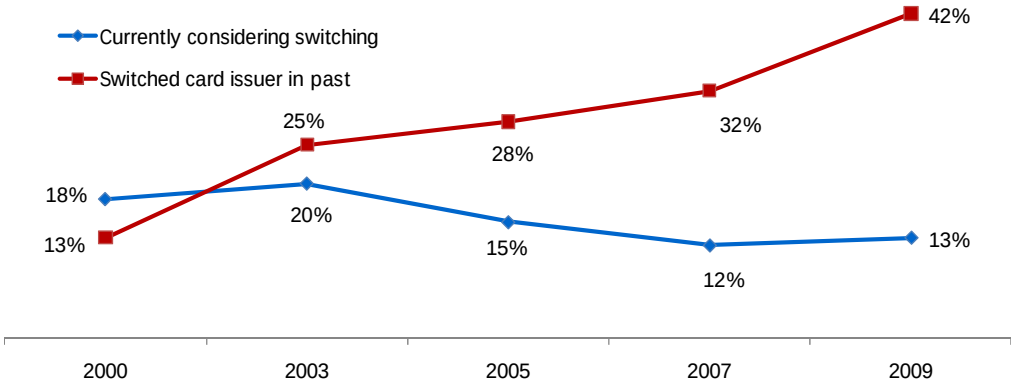
**Exhibit 133**
**Summary of Gap Analysis, by Best Practice and Needs Improvement Groups**
***(where 1= Not Important or Very Dissatisfied and 7 = Very Important or Very Satisfied)***

| | Best Practice Group | | | Needs Improvement Group | | |
|---|---|---|---|---|---|---|
| | Importance | Satisfaction | Gap | Importance | Satisfaction | Gap |
| item | | | | | | |
| Overall economic relationship with card issuer in relation to p-cards | 5.85 | 5.85 | 0.00 | 5.56 | 5.58 | 0.02 |
| Overall customer service and support | 6.45 | 5.69 | -0.76 | 6.15 | 5.62 | -0.53 |
| Overall capture of transaction-related information | 6.53 | 5.54 | -0.99 | 6.18 | 5.25 | -0.93 |
| Overall integration of p-card data with your organizational information systems | 6.05 | 5.48 | -0.57 | 5.45 | 4.81 | -0.64 |
| Overall ability of bank technology to support p-card program management | 6.42 | 5.60 | -0.82 | 6.17 | 5.46 | -0.71 |
| Overall reporting package | 6.23 | 5.11 | -1.12 | 5.98 | 5.15 | -0.83 |

## Switching Behavior

Switching card issuers is a business decision that can be expensive for both the customer and the card issuer. As shown in **Exhibit 134**, 42% of all Survey respondents have switched their card issuer at least once over the life of their purchasing card program. Currently, 13% of all respondents indicate that they are considering switching card issuers—about the same as the 2007 percentage. It appears that the level of customer switching has reached a steady state for the present time.

**Exhibit 134**
**Percent of Respondents that Have Switched or Are Currently Considering Switching Card Issuers, 2000-2009**




## Frequency and Rationale for Past Switching

**Exhibit 135** shows that 58% of respondents have not switched card issuers over the life of their purchasing card program. Further, the vast majority of respondents that have switched have done so one time. Only 14% of respondents have switched two or more times.

**Exhibit 135**
**Number of Times the Organization Has Switched Issuers Over the Past Ten Years**

| Frequency of Switching | Percent of Respondents |
|---|---|
| 1 time | 28% |
| 2 times | 9% |
| 3 or more times | 5% |
| Organization has not switched its purchasing card issuer in the past ten years | 58% |

**Exhibit 136** shows the relative importance of the reasons for switching card issuers given by respondents that have switched card issuers at least once over the past ten years. Across all respondents, the most prominent reasons for switching have been the needs for "better service and support" (5.35), followed by "greater revenue sharing in rebates' (5.26), and "better card spend reporting capabilities" (5.12). Larger organizations (Fortune 500 Size and Government and Not-for-Profit entities) rate "greater revenue sharing in rebates" as the most important reason for switching. Large and Middle Market companies rate "better service and support" as the most important reason for switching.

**Exhibit 136**
**Importance of Reasons for Switching Card Issuers by Organizations that Have Switched Card Issuers at Least Once In the Past Ten Years**
***(where 1 = Not Important and 7 = Very Important)***

| | Fortune 500 Size | Large Market | Middle Market | Government and Not-for-Profit | Total Sample |
|---|---|---|---|---|---|
| Better service and support | 5.05 | 5.84 | 5.56 | 5.20 | 5.35 |
| Greater revenue sharing in rebates | 5.31 | 5.83 | 4.86 | 5.27 | 5.26 |
| Better card spend reporting capabilities | 4.95 | 5.53 | 5.07 | 5.09 | 5.12 |
| Better able to integrate card data into organizational information systems or expense automation software | 4.59 | 5.11 | 4.40 | 4.69 | 4.67 |
| Lower fees or service charges | 4.38 | 4.57 | 4.73 | 3.87 | 4.23 |
| Benefits from consolidation of business with one financial institution | 5.00 | 4.87 | 4.63 | 3.54 | 4.19 |
| Other | 5.08 | 2.83 | 3.81 | 4.46 | 4.19 |
| More or better card features and functionality (e.g., insurance, rewards, services, etc.) | 4.33 | 4.20 | 3.91 | 4.00 | 4.06 |
| Better acceptance of card brand by North American vendors | 4.21 | 4.56 | 3.49 | 3.35 | 3.69 |
| Up-front financial incentive provided by another card issuer | 4.72 | 3.45 | 2.98 | 3.02 | 3.33 |
| Global card issuer support and services associated with card | 3.64 | 3.64 | 2.88 | 3.10 | 3.22 |
| Better global acceptance of card brand | 3.82 | 3.71 | 2.93 | 2.93 | 3.17 |

**Exhibit 137** compares the customer satisfaction (on the six "overall" performance criteria) of organizations that are currently considering or not considering switching card issuers. Organizations considering switching are significantly less satisfied with every aspect of card issuer activity. The greatest difference in customer satisfaction between organizations considering and not considering switching relates to customer service and support—an item that is the most prominent driver of past switching activity (as shown in Exhibit 136).

**Exhibit 137**
**Customer Satisfaction with Overall Aspects of Card Issuer Performance by Organizations Currently Considering and Not Considering Switching Card Issuers**
***(where 1 = Very Dissatisfied and 7 = Very Satisfied)***

| Customer Satisfaction Measures | Currently Considering Switching Card Issuers | Not Considering Switching Card Issuers | Difference |
|---|---|---|---|
| Overall economic relationship with card issuer in relation to p-cards | 5.09 | 5.77 | -0.68 |
| Overall customer service and support | 4.79 | 5.74 | -0.95 |
| Overall reporting package | 4.42 | 5.28 | -0.86 |
| Overall ability of bank technology to support p-card program management | 4.76 | 5.64 | -0.88 |
| Overall capture of transaction-related information | 4.76 | 5.50 | -0.74 |
| Overall integration of p-card data with your organizational information systems | 4.56 | 5.21 | -0.65 |

## Specific Items for Improvement

As noted above, survey respondents were asked fifty-one Survey questions about the importance of and their satisfaction with various elements of their purchasing card program. Across all fifty-one questions, respondents that were considering switching card issuers reported satisfaction scores below that of their counterparts that were not considering switching. **Exhibit 138** shows the twelve items with the largest difference in satisfaction between respondents that are currently considering and those that are not currently considering switching card issuers. Thematically, the largest differences in satisfaction between those considering and those not considering switching revolve around elements of (a) customer service such as training materials, issuer knowledge of customer's payables software and business process, quality of help desk, and service and support in p-card program implementation, (b) capabilities of purchasing card reporting software such as the ability to customize reports to the needs of the business and to generate p-card program performance metrics and spend analyses), and (c) card program management technology such as managing users through group profiles and receipt imaging.

**Exhibit 138**
**Twelve Largest Gaps in Satisfaction between Respondents Considering and Not Considering Switching Card Issuers**
***(where 1= Very Dissatisfied and 7 = Very Satisfied)***

| Item | Satisfaction of Respondents Not Considering Switching Card Issuers | Satisfaction of Respondents Currently Considering Switching Card Issuers | Difference |
|---|---|---|---|
| Overall customer service and support | 5.74 | 4.79 | -0.95 |
| Overall ability of bank technology to support p-card program management | 5.64 | 4.76 | -0.88 |
| Training materials and support | 5.28 | 4.41 | -0.87 |
| Knowledge of your organization's purchasing/payables software and business process | 5.07 | 4.20 | -0.87 |
| Overall reporting package | 5.28 | 4.42 | -0.86 |
| Ability to generate p-card program performance metrics | 4.83 | 4.00 | -0.83 |
| Manage users through group profiles | 5.39 | 4.56 | -0.83 |
| Quality of help from help desk | 5.67 | 4.88 | -0.79 |
| Spend analysis | 5.23 | 4.47 | -0.76 |
| Receipt imaging service | 4.16 | 3.40 | -0.76 |
| Service and support in p-card program implementation | 5.74 | 5.00 | -0.74 |
| Ability to customize reports to needs of business | 5.04 | 4.30 | -0.74 |

## Conclusion

The purpose of this section was to determine what impact, if any, customer satisfaction has on purchasing card program performance and decisions to switch or maintain relationships with card issuers. We found that high customer satisfaction is associated with more robust card program performance, more card-positive organizational choices, and customer decisions to maintain their relationship with their card issuer. In comparison to respondents with low satisfaction, organizations with high satisfaction report higher (1) purchasing card spending, (2) purchasing card distribution, and (3) spending per employee. Further, organizations with high satisfaction are significantly less likely to be considering switching card issuers. The low satisfaction group is particularly dissatisfied with the integration of purchasing card data with their organizational information systems, bank technology to support purchasing card program management, and the reporting package.

Overall, the survey results indicate that 13% of respondents are currently considering switching purchasing card issuers. Among respondents that have switched card issuers at least once over the past ten years, the most prominent reason for switching card issuers has been the need for “better service and support.”

Compared to organizations that are not considering switching card issuers, organizations considering switching are less satisfied with every aspect of card issuer activity. The most pressing points of dissatisfaction for respondents considering switching revolve around elements of (a) customer service such as training materials, issuer knowledge of customer’s payables software and business process, quality of help desk, and service and support in p-card program implementation, (b) capabilities of purchasing card reporting software such as the ability to customize reports to the needs of the business and to generate p-card program performance metrics and spend analyses), and (c) card program management technology such as managing users through group profiles and receipt imaging.

# Card Program Performance of Corporations: Fortune 500 Size

- Fortune 500 Size Companies
- Expected and Realized Spending Growth
- Purchasing Card Program Performance
- A Closer Look at Fortune 500 Size Purchasing Card Program Performance
- Spending per $1 Billion of Revenue

# Card Program Performance of Corporations: Fortune 500 Size

The impact of purchasing cards on corporate procure-to-pay processes continues to grow. The purpose of this section and the next two sections is to analyze the spending patterns and the impact of purchasing cards across different size of corporations, including:

- "Fortune 500 Size" (annual sales revenue greater than or equal to $2 billion),
- "Large Market" (annual sales revenue greater than or equal to $500 million but less than $2 billion), and
- "Middle Market" (annual sales revenue greater than or equal to $25 million but less than $500 million).

The focus of this section is on the purchasing card program performance of Fortune 500 Size companies.

## Fortune 500 Size Companies

The Fortune 500 Size companies comprise about 27% of the corporate responses to the 2009 Purchasing Card Benchmark Survey. By virtue of their size, visibility, and long history with purchasing cards, the Fortune 500 Size segment of purchasing card users is often used as the bell weather for the success of purchasing cards in the marketplace. This section investigates the activity in this segment between 2001 and 2009 and provides a future outlook.

## Expected and Realized Spending Growth

Past and expected growth of Fortune 500 Size purchasing card programs are shown earlier in this Report in Exhibits 8, 9, and 15, respectively. Exhibit 8 revealed that 62% of Fortune 500 Size companies reported purchasing card spending growth between 2007-2009, 9% reported no change, and 29% reported a decline in purchasing card spending. Exhibit 9 showed the average self-reported purchasing card spending growth rate of Fortune 500 Size companies in the two year period from 2007 through 2009 to be 9.1% (or an annual average rate of 4.6%). Exhibit 14 showed that 87% of Fortune 500 Size companies expect purchasing card spending to increase by 2012, 9% expect no change in purchasing card spending from the 2009 level, and 4% expect p-card spending to decline. Exhibit 15 revealed that Fortune 500 Size companies project average growth in purchasing card spending of 12.8% per year over the next five years.

## Purchasing Card Program Performance

As shown in **Exhibit 139**, average monthly organizational purchasing card spending at Fortune 500 Size companies has risen from $4.9 to $5.2 million between 2007 and 2009. Median monthly purchasing card spending increased from $2.2 million to $3.0 million in the same time period. Spending per employee, an important measure of the extent to which purchasing cards have penetrated the fabric of organizational spending patterns, has increased from $176 in 2007 to $187 in 2009. The key factor associated with the higher spending in Fortune 500 Size companies is the average purchasing card-to-employee ratio, which grew from 5.6% in 2007 to 7.6% in 2009. The increase in card distribution is the likely cause of the reduction in monthly spending per card (from $3,124 in 2007 to $2,462 in 2009) and transactions per card (from 9.44 in 2007 to 7.65 in 2009). As card distribution increases, inevitably cards will reach employees that engage in purchasing activity less frequently. This interpretation is corroborated by the percentage of active cards in a typical month, which fell from 83% in 2007 to 80% in 2009. Notwithstanding, the overall increase in card distribution is associated with an elevated capture of both under $2,500 transactions paid by the purchasing card (from 36% in 2007 to 43% in 2009) and transactions between $2,500 and $10,000 paid by the purchasing card (from 19% in 2007 to 27% in 2009).

**Exhibit 139**
**Fortune 500 Size Purchasing Card Program Performance Statistics, 2001, 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|---|
| **Company Statistics** | | | | | | |
| Number of employees | 21,243 | 36,908 | 26,011 | 27,882 | 27,906 | 0% |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 1,750 | 3,120 | 1,845 | 1,573 | 2,119 | 35% |
| Card-to-employee ratio | 8.2% | 8.6% | 7.1% | 5.6% | 7.6% | 36% |
| Average monthly p-card spending | $1,707,966 | $3,302,164 | $3,896,986 | $4,913,923 | $5,217,016 | 6% |
| Median monthly p-card spending | $905,427 | $1,419,522 | $1,837,849 | $2,222,250 | $3,000,000 | 35% |
| Monthly p-card spending per employee | $80 | $91 | $150 | $176 | $187 | 6% |
| Transactions under $2,500 placed on p-card* | N/A | 34% | 28% | 36% | 43% | 19% |
| Transactions between $2,500 and $10,000 placed on p-card | N/A | 9% | 10% | 19% | 27% | 42% |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 5.1 | 5.9 | 7.06 | 9.44 | 7.65 | -19% |
| Spending per transaction | $191 | $180 | $299 | $331 | $322 | -3% |
| Monthly spending per card | $976 | $1,058 | $2,112 | $3,124 | $2,462 | -21% |
| Active cards in a typical month | 73% | 75% | 78% | 83% | 80% | -4% |

* In 2003, the capture category included “under $2,000” and “between $2,000 and $10,000”

## A Closer Look at Fortune 500 Size Purchasing Card Program Performance

The Fortune 500 Size category is "open-ended," with no upper limit on the size of the respondents in the group. **Exhibit 140** breaks out the purchasing card program performance statistics of the "largest of the large" respondents that reside within the Fortune 500 Size category (hereafter called "Fortune 100 Size" corporations, including all companies with annual sales revenue exceeding $20 billion). **Exhibit 141** on the next page shows the Fortune 500 Size responses of companies with annual sales revenue between $2 billion and $20 billion.

**Exhibit 140**
**Purchasing Card Program Performance Statistics of Fortune 100 Size Companies with Annual Revenues Greater than $20 Billion, 2001, 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|---|
| **Company Statistics** | | | | | | |
| Number of employees | 48,441 | 62,208 | 54,291 | 69,350 | 89,580 | 29% |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 3,209 | 4,330 | 3,335 | 2,497 | 4,201 | 68% |
| Card-to-employee ratio | 6.6% | 7.0% | 6.1% | 3.6% | 4.7% | 30% |
| Average monthly p-card spending | $3,435,682 | $4,407,513 | $5,084,623 | $6,746,865 | $10,156,604 | 51% |
| Median monthly p-card spending | $850,000 | $1,864,049 | $4,000,000 | $5,826,749 | $6,000,000 | 3% |
| Monthly p-card spending per employee | $71 | $71 | $94 | $97 | $113 | 17% |
| Transactions under $2,500 placed on p-card* | N/A | 35% | 32% | 29% | 42% | 45% |
| Transactions between $2,500 and $10,000 placed on p-card | N/A | 15% | 9% | 16% | 33% | 106% |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 4.85 | 4.43 | 5.43 | 11.07 | 6.70 | -40% |
| Spending per transaction | $221 | $230 | $281 | $244 | $361 | 48% |
| Monthly spending per card | $1,071 | $1,018 | $1,524 | $2,702 | $2,418 | -11% |
| Active cards in a typical month | 68% | 71% | 63% | 74% | 73% | -1% |

* In 2003, the capture category included "under $2,000" and "between $2,000 and $10,000"

An examination of the two exhibits reveals several interesting contrasts. First, as one would expect, Fortune 100 Size companies have higher average monthly purchasing

card spending than the smaller Fortune 500 Size companies ($10.2 million versus $4.0 million). Beyond this fact, the Fortune 100 Size programs have a different purchasing card program footprint. For example, in comparison to the smaller Fortune 500 Size companies, Fortune 100 Size programs in 2009 report:

- a lower p-card-to-employee ratio (4.7% versus 9.5%),
- higher monthly spending per card ($2,418 versus $2,276), driven by a higher average transaction amount ($361 versus $299),
- fewer monthly transactions per card (6.70 versus 7.62),
- a lower percentage of active cards in a typical month (73% versus 81%), and
- lower monthly purchasing card spending per employee ($113 versus $216).

It is possible that these differences are simply a reflection of the "super large" scale of the Fortune 100 Size companies.

**Exhibit 141**
**Purchasing Card Program Performance Statistics of Fortune 500 Size Companies with Annual Revenues of Less than $20 Billion, 2001, 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|---|
| **Company Statistics** | | | | | | |
| Number of employees | 18,157 | 20,215 | 21,223 | 22,215 | 18,609 | -16% |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 1,683 | 1,723 | 1,468 | 1,532 | 1,768 | 15% |
| Card-to-employee ratio | 9.3% | 8.5% | 6.9% | 6.9% | 9.5% | 38% |
| Average monthly p-card spending | $1,615,295 | $2,325,959 | $3,345,968 | $4,087,133 | $4,022,169 | -2% |
| Median monthly p-card spending | $1,113,000 | $1,284,000 | $1,797,500 | $2,244,500 | $2,600,000 | 16% |
| Monthly p-card spending per employee | $89 | $115 | $158 | $184 | $216 | 17% |
| Transactions under $2,500 placed on p-card* | N/A | 35% | 25% | 37% | 41% | 11% |
| Transactions between $2,500 and $10,000 placed on p-card | N/A | 9% | 8% | 20% | 24% | 20% |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 5.25 | 6.01 | 8.36 | 8.86 | 7.62 | -14% |
| Spending per transaction | $183 | $225 | $273 | $301 | $299 | -1% |
| Monthly spending per card | $960 | $1,350 | $2,279 | $2,668 | $2,276 | -15% |
| Active cards in a typical month | 74% | 76% | 79% | 84% | 81% | -3% |

* In 2003, the capture category included "under $2,000" and "between $2,000 and $10,000"

## Spending per $1 Billion of Revenue

Another measure of the acceptance and progress of purchasing cards in the Fortune 500 Size category is displayed in **Exhibit 142**. The exhibit provides median and top and bottom quartile annual purchasing card spending per $1 billion of revenue from 2001 through 2009. The exhibit shows a broad improvement in spending per billion of revenue across all companies. Median annual purchasing card spending rose from $4.9 million per billion of sales revenue in 2007 to $5.3 million per billion of sales revenue in 2009. On average, a top quartile Fortune 500 Size organization in 2009 had about $10.2 million of annual purchasing card spending for every $1 billion in revenue, a figure similar to that found in 2007 but over twice that of Fortune 500 Size organizations in 2001.

**Exhibit 142**
**Spending per $1 Billion of Revenue in Fortune 500 Size Corporations in 2001, 2003, 2005, 2007, and 2009**

| Company Statistics | 2001 | 2003 | 2005 | 2007 | 2009 |
|---|---|---|---|---|---|
| Top quartile | $4,266,989 | $6,085,675 | $8,516,129 | $10,226,820 | $10,188,210 |
| Median | $2,461,054 | $2,976,000 | $3,479,774 | $4,881,923 | $5,353,902 |
| Bottom quartile | $1,237,800 | $1,232,309 | $1,473,310 | $2,726,651 | $2,715,438 |

## Conclusion

By virtue of their size, visibility, and long history with purchasing cards, the Fortune 500 Size segment of purchasing card users is often used as the bell weather for the success of purchasing cards in the marketplace. The survey results indicate that, after 6 years of strong growth, the past two years have been difficult for Fortune 500 Size purchasing card programs. Average monthly organizational purchasing card spending at Fortune 500 Size companies rose slightly from $4.9 million in 2007 to $5.2 million in 2009. The main identifiable factor driving higher spending is an increase in the number of employees provided purchasing cards. Going forward, Fortune 500 Size companies anticipate a strong rebound in 2010 and expect average growth of over 12% per year over the next five years.

A top quartile Fortune 500 Size company in 2009 had over $10.2 million of annual purchasing card spending for every $1 billion in revenue, over twice that over Fortune 500 Size companies in 2001.

# Card Program Performance of Corporations: Large and Middle Market

- Large Market Companies: Expected and Realized Spending Growth
- Large Market Purchasing Card Program Performance
- Spending per $100 Million of Revenue
- Middle Market Companies: Expected and Realized Spending Growth
- Middle Market Purchasing Card Program Performance
- Spending per $10 Million of Revenue
- Greater Detail on the Corporate Sector
- Industry Comparisons

# Card Program Performance of Corporations: Large and Middle Market

Twenty-four percent of the corporate responses to the 2009 Purchasing Card Benchmark Survey are "Large Market" companies (annual sales revenue greater than or equal to $500 million but less than $2 billion) and 38% are "Middle Market" companies (annual sales revenue greater than or equal to $25 million but less than $500 million). Historically, "Large Market" and "Middle Market" companies have been aggressive purchasing card users. This section updates the reader on events occurring within these segments between 2001 and 2009 and the future expectations for both Large Market and Middle Market companies.

## Large Market Companies: Expected and Realized Spending Growth

Past and expected growth of Large Market purchasing card programs are shown earlier in this report in Exhibits 8, 9, and 15, respectively. Exhibit 8 revealed that 65% of Large Market companies reported purchasing card spending growth between 2007-2009, 12% reported no change, and 23% reported a decline in purchasing card spending. Exhibit 9 showed the average self-reported purchasing card spending growth rate of Large Market companies in the two year period from 2007 through 2009 to be 22.9% (or an annual average rate of 11.4%). Exhibit 14 showed that 86% of Large Market companies expect purchasing card spending to increase by 2012, 11% expect no change in purchasing card spending from the 2009 level, and 3% expect purchasing card spending to decline. Exhibit 15 revealed that Large Market companies project average purchasing card spending growth of 15.2% per year over the next five years.

## Large Market Purchasing Card Program Performance

As shown in **Exhibit 143** on the next page, average monthly purchasing card spending in the Large Market segment rose from $969,901 in 2007 to $1,028,001 in 2009. Median (or mid-point) monthly organizational spending rose from $500,000 to $725,000 in that same time frame. The program performance differences between 2007 and 2009 that contribute to the modest change in average company purchasing card spending include:

- a modest decrease in the p-card-to-employee ratio from 12.1% in 2007 to 11.9% in 2009,
- a 5% decrease in monthly p-card spending per employee (from $287 in 2007 to $272 in 2009),

- a 10% increase in the number of monthly transactions per card (from 7.8 in 2007 to 8.6 in 2009), and

- a 12% decrease in spending per transaction (from $305 in 2007 to $267 in 2009).

Overall, the Large Market respondents report modest changes between the 2007 and 2009. However, Large Market spending continues to move in a positive direction and companies report increases in the percentage of under $2,500 transactions paid by the purchasing card (from 36% in 2007 to 41% in 2009) and transactions between $2,500 and $10,000 paid by the purchasing card (from 19% in 2007 to 28% in 2009).

**Exhibit 143**
**Large Market Corporation Purchasing Card Program Performance Statistics, 2001, 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|---|
| **Company Statistics** | | | | | | |
| Number of employees | 4,016 | 3,997 | 3,864 | 3,385 | 3,772 | 11% |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 358 | 317 | 404 | 418 | 449 | 7% |
| Card-to-employee ratio | 9.1% | 7.9% | 10.0% | 12.1% | 11.9% | -2% |
| Average monthly p-card spending | $403,675 | $420,278 | $785,453 | $969,901 | $1,028,001 | 6% |
| Median monthly p-card spending | $292,000 | $320,000 | $400,000 | $500,000 | $725,000 | 45% |
| Monthly p-card spending per employee | $102 | $105 | $203 | $287 | $272 | -5% |
| Transactions under $2,500 placed on p-card | N/A | 21% | 27% | 36% | 41% | 14% |
| Transactions between $2,500 and $10,000 placed on p-card | N/A | 6% | 12% | 19% | 28% | 47% |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 5.9 | 5.8 | 7.3 | 7.8 | 8.6 | 10% |
| Spending per transaction | $190 | $229 | $279 | $305 | $267 | -12% |
| Monthly spending per card | $1,127 | $1,324 | $2,037 | $2,377 | $2,290 | -4% |
| Active cards in a typical month | 87% | 76% | 80% | 85% | 84% | -1% |

## Spending per $100 Million of Revenue

**Exhibit 144** on the next page provides median and top and bottom quartile annual purchasing card spending per $100 million of revenue. The exhibit shows a broad improvement in spending per $100 million of revenue across all companies. A median Large Market company now spends over $1 million per year for every $100 million in company revenue on the purchasing card, up from $694,163 in 2007. The threshold of "bottom quartile" spending has also increased from $338,845 per $100 million of revenue

in 2007 to $494,961 per $100 million of revenue in 2009. As in 2007, a top quartile Large Market organization in 2009 has over $2 million of annual purchasing card spending for every $100 million in revenue.

**Exhibit 144**
**Spending per $100 Million of Revenue in Large Market Corporations in 2007 and 2009**

| | 2007 | 2009 |
|---|---|---|
| Top quartile | $2,212,131 | $2,122,002 |
| Median | $694,163 | $1,014,059 |
| Bottom quartile | $338,845 | $494,961 |

## Middle Market Companies: Expected and Realized Spending Growth

Past and expected growth of Middle Market purchasing card programs are shown earlier in this report in Exhibits 8, 9, and 15, respectively. Exhibit 8 revealed that 69% of Middle Market companies reported purchasing card spending growth between 2007-2009, 15% reported no change, and 16% reported a decline in purchasing card spending. Exhibit 9 showed the average self-reported purchasing card spending growth rate of Large Market companies in the two year period from 2007 through 2009 to be 44.3% (or an annual average rate of 22.1%). Exhibit 14 showed that 81% of Middle Market companies expect purchasing card spending to increase by 2012, 12% expect no change in purchasing card spending from 2009, and 7% expect purchasing card spending to decline. Exhibit 15 revealed that Middle Market companies project average purchasing card spending growth of 14.4% per year over the next five years.

## Middle Market Card Purchasing Card Program Performance

As shown in **Exhibit 145** on the next page, average monthly purchasing card spending in Middle Market corporations rose from $366,154 in 2007 to $381,080 in 2009. Median (or mid-point) spending rose from $150,000 in 2007 to $207,373 in 2009. These changes are more impressive when one considers that the “average” size of the Middle Market corporate respondent decreased by 16% (from 1,018 to 858 employees). Notable program performance differences between 2007 and 2009 include:

- an increase in the p-card-to-employee ratio (from 12.9% in 2007 to 17.9% in 2009),
- a 23% increase in monthly purchasing card spending per employee (from $360 in 2007 to $444 in 2009),

- an 11% decrease in the monthly spending per card (from $2,788 in 2007 to $2,489 in 2009), and

- a 10% decrease in the number of monthly transactions per card (from 10.74 in 2007 to 9.68 in 2009).

Among the corporate segments, Middle Market corporations report the highest card distribution across the employee base and the highest level of card use by cardholders. This potent combination leads to the highest purchasing card spending per employee.

**Exhibit 145**
**Middle Market Corporation Purchasing Card Program Performance Statistics, 2001, 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2001 | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|---|
| **Company Statistics** | | | | | | |
| Number of employees | 1,031 | 1,150 | 1,044 | 1,018 | 858 | -16% |
| **Program Performance Measures** | | | | | | |
| Number of purchasing cards | 77 | 137 | 125 | 140 | 153 | 9% |
| Card-to-employee ratio | 7.5% | 11.9% | 11.2% | 12.9% | 17.9% | 38% |
| Average monthly p-card spending | $105,028 | $183,582 | $276,878 | $366,154 | $381,080 | 4% |
| Median monthly p-card spending | $55,702 | $75,546 | $125,000 | $150,000 | $207,373 | 38% |
| Monthly p-card spending per employee | $102 | $160 | $265 | $360 | $444 | 23% |
| Transactions under $2,500 placed on p-card | NA | 28% | 28% | 31% | 39% | 26% |
| Transactions between $2,500 and $10,000 placed on p-card | NA | 10% | 12% | 18% | 26% | 44% |
| **Cardholder Activity Measures** | | | | | | |
| Monthly transactions per card | 6.27 | 7.35 | 10.53 | 10.74 | 9.68 | -10% |
| Spending per transaction | $217 | $183 | $226 | $260 | $257 | -1% |
| Monthly spending per card | $1,364 | $1,344 | $2,378 | $2,788 | $2,489 | -11% |
| Active cards in a typical month | 88% | 86% | 82% | 89% | 87% | -2% |

## Spending per $10 Million of Revenue

**Exhibit 146** on the next page provides median and top and bottom quartile annual purchasing card spending per $10 million of revenue for Middle Market corporations. The exhibit shows a modest improvement in spending per $10 million of revenue across all Middle Market companies. A top quartile Middle Market company in 2009 had $757,095 of annual purchasing card spending for every $10 million of sales revenue, up from $729,730 in 2007. Median (or mid-point) annual purchasing card spending per $10 million of sales revenue also increased from $246,756 in 2007 to $267,977 in 2009.

**Exhibit 146**
**Spending per $10 Million of Revenue in Middle Market Corporations in 2007 and 2009**

| | 2007 | 2009 |
|---|---|---|
| Top quartile | $729,730 | $757,095 |
| Median | $246,756 | $267,977 |
| Bottom quartile | $102,000 | $103,746 |

## Greater Detail on the Corporate Sector

Appendix A provides benchmark details of key purchasing card program performance measures for the three corporate sector categories: Fortune 500 Size, Large Market, and Middle Market Corporations.

## Industry Comparisons

Appendix B provides a detailed analysis of key purchasing card program performance measures for ten major industrial classifications, including: (1) Manufacturing, (2) Finance, Insurance, Banking, and Real Estate, (3) Wholesale and Retail Trade, (4) Software and IT Solutions, (5) Transportation, Warehousing, and Delivery Services, (6). Telecommunications, Media, and Entertainment, (7) Agricultural, Mining, and Construction, (8) Professional, Scientific, and Technical Services, (9) Utilities, and (10) Other Service.

Appendix B reveals significant differences among industries in virtually every performance category, including the percent of under $2,500 transactions shifted to the purchasing card, the percentage of employees holding a purchasing card, the percent of active cards, monthly transactions per card, spending limits, and average monthly purchasing card spending.

## Conclusion

Purchasing card spending growth since 2007 diverged among Large and Middle Market companies. Large Market corporations' self-reported average growth of 11.4% per year between 2007 and 2009, a decline from the 16% per year growth experienced by these companies in 2005-2007. By contrast, Middle Market corporations' self-reported average growth of 22.1% per year between 2007 and 2009, which is an increase from the 17% per year growth experienced by these companies in 2005-2007. However, both Large and Middle Markets companies are bullish on future purchasing card spending, anticipating growth of over 14% per year over the next five years. Average monthly purchasing card spending in the Large (Middle) Market in 2009 was $1,028,001 ($381,080) in 2009.

# Card Program Performance of Government Organizations

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# Card Program Performance of Government Organizations

Like the Corporate sector, the impact of purchasing cards on the government sector's procure-to-process continues to grow. The purpose of this section is to analyze past and expected purchasing card spending growth patterns and the impact of purchasing cards across different types of organizations, including:

- Federal government agencies,
- States and State government agencies, and
- Cities and Counties and City and County agencies,

Key program performance statistics and past and expected growth for each group are presented next.

## Federal Government

Federal government agencies have legislative mandates for program support and are very active users of purchasing cards. Indeed, the purchasing card concept began in North America with the U.S. Federal government in the late 1980's. Canada's program began in 1991. This section provides a brief overview of Federal spending and survey norms from this sector.

## Federal Government: Expected and Realized Spending Growth

Past and expected growth of Federal Government purchasing card programs is shown earlier in this Report in Exhibits 11, 16, and 17. Exhibit 11 showed that the growth rate from 2007 through 2009 for Federal Government agencies was 7.0% (or 3.5% per year). Going forward, Federal agencies expect purchasing card spending growth of 14% in 2010. Over the next five years an average purchasing card spending growth rate of 9.4% per year is expected.

## Federal Government Purchasing Card Program Performance

Using the information available on the General Services Administration website, we present a historical profile of the U.S. Government purchasing card program. **Exhibit 143** on the next page shows annual purchasing card spending by the U.S. Government has increased for 19 straight years, rising from $56 million in 1990 to $20 billion in 2009. Survey responses by Federal agencies indicate continuous growth in the future.

It is important to remark upon some aspects of U.S. Federal government purchasing card spending. Specifically, Exhibit 143 shows that:

- 2008 Federal purchasing card spending increased by 6.2% over 2007 (from $18.7 billion to $19.8 billion); however, spending in 2009 was nearly flat (at $20.0 billion), increasing by only .8% over the 2008 level,

- total Federal purchasing card spending as a percent of budgeted spending by Federal agencies has steadily declined from 0.76% in 2003 to 0.57% in 2009, the lowest level observed since 1998,

- dividing spending by transactions, the average transaction amount has increased every year since the program's inception (going from $208 in 1990 to $797 in 2009); in part, this explains why card spending continues on an upward trajectory while the highest number of annual card transactions was in 2004, and

- the percentage of employees given a purchasing card appears to be on a rebound after the decline observed in 2008 (up to 10.07% in 2009 from 9.31% in 2008).

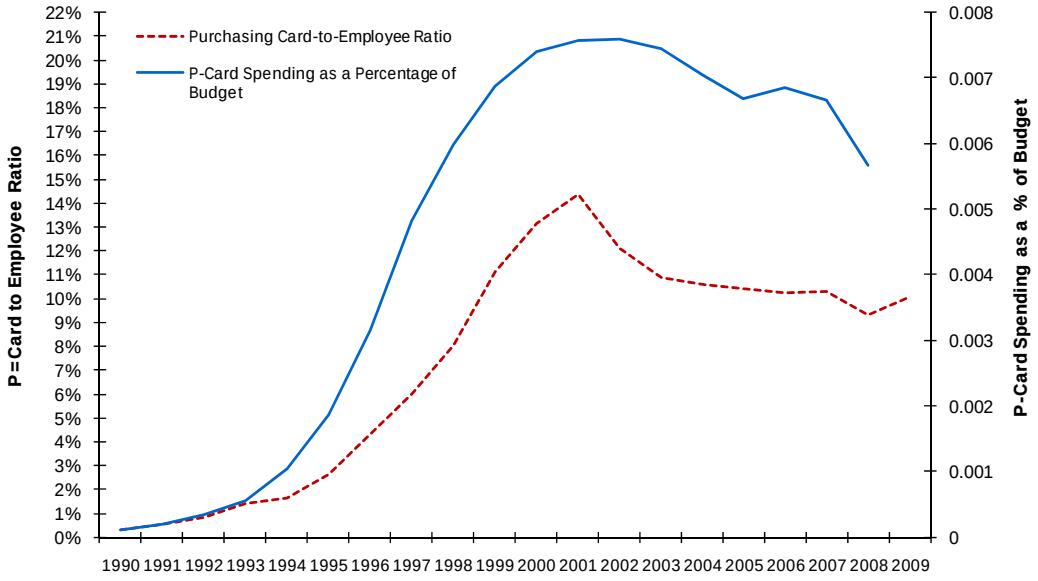
**Exhibit 143**
**Key Purchasing Card Program Statistics of U.S. Government, 1990-2009, Fiscal Year Ended on September 30**

| Fiscal Year | Budget (Billions Of $'S) | Total Civilian & Military Head Count | Average Number Of Cards For Fiscal Year Ending 9-30 | % of Employees With P-Cards | Total Purchase Card Spending | Total Purchase Card Trans-Actions | P-Card Spending As A % Of Budget |
|---|---|---|---|---|---|---|---|
| ***1990*** | $1,253 | 5,631,403 | 18,926 | 0.34% | $56,312,535 | 270,983 | 0.00% |
| ***1991*** | $1,324 | 5,662,541 | 30,336 | 0.54% | $140,735,006 | 639,399 | 0.01% |
| ***1992*** | $1,382 | 5,423,428 | 44,352 | 0.82% | $275,573,665 | 1,058,890 | 0.02% |
| ***1993*** | $1,409 | 5,273,899 | 74,591 | 1.41% | $472,103,391 | 1,512,275 | 0.03% |
| ***1994*** | $1,462 | 5,118,238 | 82,804 | 1.62% | $808,473,245 | 2,471,308 | 0.06% |
| ***1995*** | $1,516 | 4,966,417 | 130,353 | 2.62% | $1,591,773,703 | 4,248,496 | 0.10% |
| ***1996*** | $1,561 | 4,853,179 | 209,295 | 4.31% | $2,914,368,604 | 7,327,878 | 0.19% |
| ***1997*** | $1,601 | 3,993,342 | 240,486 | 6.02% | $5,045,264,294 | 11,573,616 | 0.32% |
| ***1998*** | $1,651 | 3,912,173 | 314,086 | 8.03% | $7,960,818,860 | 16,477,721 | 0.48% |
| ***1999*** | $1,705 | 3,932,040 | 436,431 | 11.10% | $10,189,959,831 | 20,635,328 | 0.60% |
| ***2000*** | $1,788 | 4,458,417 | 586,476 | 13.15% | $12,288,744,026 | 23,457,456 | 0.69% |
| ***2001*** | $1,863 | 3,828,261 | 549,086 | 14.34% | $13,787,668,676 | 24,443,850 | 0.74% |
| ***2002*** | $2,012 | 3,871,388 | 469,293 | 12.12% | $15,247,501,991 | 25,752,314 | 0.76% |
| ***2003*** | $2,157 | 3,919,957 | 426,777 | 10.89% | $16,370,886,269 | 26,494,400 | 0.76% |
| ***2004*** | $2,292 | 3,843,993 | 407,070 | 10.59% | $17,082,562,875 | 26,523,928 | 0.75% |
| ***2005*** | $2,473 | 3,797,423 | 394,918 | 10.40% | $17,432,516,796 | 25,931,643 | 0.70% |
| ***2006*** | $2,654 | 3,788,097 | 387,456 | 10.23% | $17,758,226,924 | 25,342,724 | 0.67% |
| ***2007*** | $2,731 | 3,617,762 | 372,023 | 10.28% | $18,692,783,102 | 24,725,855 | 0.68% |
| ***2008*** | $2,979 | 3,833,362 | 357,072 | 9.31% | $19,848,941,465 | 25,484,163 | 0.67% |
| ***2009*** | $3,522 | 3,874,071 | 390,249 | 10.07% | $19,996,815,232 | 25,081,474 | 0.57% |

The continuing upward momentum of the U.S. Federal government purchasing card spending is notable considering that the U.S. government began reducing the number of purchasing cards distributed among employees in 2001, falling from a high of 586,476 in 2000 to a low of 357,072 in 2008. However, in 2009 we observed the first reversal in this trend with the number of U.S. government purchasing cards increasing to 390,249 in 2009 (an increase of 9.3%). The increase in card distribution may be driving the expected uptick in purchasing card spending in 2010 reported by Federal agency respondents (see Exhibit 16 in this Report).

**Exhibit 144** shows U.S. Federal agency purchasing card spending as a percent of total budgeted U.S. spending and the purchasing-card-to-employee ratios (with civilian and military headcount combined) for the period 1990-2009. Because the card distribution of today affects the spending of tomorrow, purchasing card spending as a percent of the Federal budget is lagged one year. As shown in the exhibit, the number of and percentage of workforce with purchasing cards steadily increased from 0.34% in 1990 to a peak of 14.34% in 2001, while the percentage of the U.S. budget spent on purchasing cards steadily increased from 0.01% in 1990 to a peak of 0.76% in 2003. Since 2003, purchasing card spending as a percent of budget has consistently declined from the high water mark of 0.76% to 0.57% in 2009, with the exception of a minor uptick observed in 2007. Although government spending has increased significantly in recent years, the new spending may not include significant increases of "cardable" micropurchases. Thus, it is unlikely that the downturn in purchasing card spending as a percent of budget is a reflection of a significant policy change.

**Exhibit 144**
**Purchasing Card-to-Employee and Purchasing Card Spending as a Percentage of Budget (Lagged One Year) Ratios: U.S. Government, 1990-2009**



## U.S. Federal Government, by Agency

Across the Federal government, over 60 agencies have purchasing card programs. The smallest program for which data is separately reported by the GSA in 2009 is the U.S. Tax Court (with annual spending of $82,238), and the Office of Veteran's Affairs (with annual spending of $7.2 billion, inclusive of a $3.9 billion "prime vendor" cardless purchasing card program). As shown in **Exhibit 145**, the ten largest purchasing card programs account for more than 92% of all Federal government purchasing card spending. Of those ten, four are military agencies (Army, Navy, Air Force, and Department of Defense-Other). The Department of the Interior (DOI) has the sixth largest program. The DOI is unique as it is the only major "one card" platform in the Federal government program (where employees use the card for both indirect goods/services and travel). In total, purchasing card spending across all agencies represents 0.57% of budgeted agency spending.

**Exhibit 145**
**U.S. Federal Government Agency Purchasing Card Program Performance Statistics with Separate Identification of 10 Highest Spending Programs, Fiscal Year Ending September 30, 2009**

| Agency | Agency Budget (Billions Of $'S) | Total Civilian & Military Head Count | Average Number Of Cards | % of Employees With P-Cards | Total Purchase Card Spending | Total Purchase Card Trans-Actions | P-Card Spending As % Of Budget |
|---|---|---|---|---|---|---|---|
| DoD Army | $227 | 767,470 | 55,702 | 7.26% | $4,454,263,545 | 4,136,753 | 1.96% |
| Veterans Affairs & Prime Vendors | $101 | 283,491 | 36,845 | 13.00% | $7,208,900,555 | 5,188,687 | 7.11% |
| DoD Air Force | $151 | 438,379 | 36,199 | 8.26% | $1,682,689,757 | 2,053,261 | 1.12% |
| DoD Navy | $157 | 584,652 | 15,857 | 2.71% | $1,554,099,932 | 1,451,907 | 0.99% |
| Department of Justice | $29 | 110,032 | 13,569 | 12.33% | $711,975,017 | 782,830 | 2.49% |
| Department of Interior | $17 | 67,528 | 88,469 | 131.01% | $679,736,588 | 2,947,333 | 3.92% |
| DoD Defense - Other | $102 | 101,840 | 6,054 | 5.94% | $564,153,416 | 515,406 | 0.55% |
| Department of Health Human Services | $872 | 64,072 | 4,486 | 7.00% | $554,812,491 | 747,259 | 0.06% |
| Department of Agriculture | $136 | 82,437 | 19,545 | 23.71% | $549,004,044 | 1,281,320 | 0.40% |
| Department of Homeland Security | $58 | 175,172 | 13,281 | 7.58% | $517,202,204 | 1,014,263 | 0.89% |
| Other Agencies | $1,671 | 1,198,998 | 100,244 | 8.36% | $1,519,977,683 | 4,962,455 | 0.09% |
| Program Total | $3,522 | 3,874,071 | 390,249 | 10.07% | $19,996,815,232 | 25,081,474 | 0.57% |

## “Best Practice” Agencies Exhibit Unique Characteristics

Federal agencies are not alike in their use of purchasing cards. **Exhibit 146** on the next page shows eight agencies that we identify as “best practice” programs based on a combination of purchasing card spending per employee and purchasing card spending as a percent of agency budget.

In 2009, the “Best Practice” agencies constituted only 9% of the U.S. Government budget (about $370 billion of government outlays in comparison to a $3.96 trillion budget), but conducted 63% of total Federal purchasing card spending. By contrast, there are over 50 agencies included in the “all other” category; these agencies constituted more than 90% of the Federal budgeted outlay ($3.58 trillion out of $3.96 trillion budget), but conducted only 33% of purchasing card spending ($6.7 billion out of $20 billion). As compared to the “all other” agencies, our “best practice” programs report:

- significantly higher spending as a percentage of budget (3.41% versus 0.19%), and
- more liberal card distribution (9.47% versus 7.20% of the employee base).

Though not shown in Exhibit 146, other comparative figures of interest can be quickly derived. For example, in comparison to “all other agencies”, our “best practice” agencies conduct 203% higher annual spending per card ($109,031 versus $36,000), based on 66% more transactions per card (96 versus 58 transactions per card per year) at an 82% higher average transaction amount ($1,137 versus $624), yielding a 298% higher spending per employee ($10,320 versus $2,592).

In sum, it appears that Federal Government agencies, like their private sector counterparts, have subunits that extract greater benefits from purchasing card use than others. Further, the “best practice” agencies do not appear to be so unique that many other agencies could not emulate their accomplishments. For example, what can be accomplished at one military agency should be transportable to another military agency. Likewise, what has worked at one “best practice” Department should fit well at other Departments with similar administrative and purchasing activities. Notwithstanding, some agencies may be unique in their mission and have more or less opportunity to take better advantage of the purchasing card program.

**Exhibit 146**
**Purchasing Card Program Performance Statistics of the "Best Practice" and Other Federal Government Agencies**
*(all numbers are averages except where indicated otherwise)*

| Government Purchasing Card Program | Budget (in $ billions) | Total Civilian & Military Head Count | Cardholders | P-Card to Employee Ratio | P-Card Spending | Transactions | P-Card Spending as a % of Budget |
|---|---|---|---|---|---|---|---|
| "Best Practice" Agencies | | | | | | | |
| DoD Army | $227.43 | 767,470 | 55,702 | 7.26% | $4,454,263,545 | 4,538,905 | 1.96% |
| Department of Veterans Administration | $101.45 | 283,491 | 37,398 | 13.19% | $7,208,900,554 | 5,188,687 | 7.11% |
| Department of Justice | $28.55 | 110,032 | 13,569 | 12.33% | $711,975,017 | 877,499 | 2.49% |
| Department of Commerce | $10.84 | 39,220 | 5,442 | 13.88% | $135,177,129 | 302,607 | 1.25% |
| GSA | $0.46 | 12,021 | 2,814 | 23.41% | $73,389,719 | 91,830 | 15.85% |
| Smithsonian Institute | $0.88 | 4,512 | 543 | 12.04% | $19,687,837 | 71,645 | 2.23% |
| Equal Opportunity Commission | $0.35 | 2,198 | 160 | 7.28% | $10,270,108 | 14,888 | 2.90% |
| Library of Congress | $0.06 | 3,871 | 118 | 3.05% | $6,092,870 | 9,384 | 10.88% |
| **Total, "Best Practice" Agencies** | **$370.02** | **1,222,815** | **115,745** | **9.47%** | **$12,619,756,779** | **11,095,445** | **3.41%** |
| The Other 53 Agencies | | | | | | | |
| Department of Interior ("one card" program) | $17.32 | 67,528 | 88,469 | 131.01% | $679,736,588 | 3,258,916 | 3.92% |
| **All Other Agencies** | **$3,577.33** | **2,583,728** | **186,035** | **7.20%** | **$6,697,321,864** | **10,727,113** | **0.19%** |
| Total | $3,964.68 | 3,874,071 | 390,249 | 10.07% | $19,996,815,232 | 25,081,474 | 0.57% |

## $10 Billion Potential for Additional Savings

The differences in use of purchasing cards between the high performing "best practice" and "all other" Federal government card programs has a special importance to taxpayers. As shown in **Exhibit 147** on the next page, administrative cost savings of $71 per transaction (see Exhibit 33 in Chapter 4 of this Report) are driving savings of about $1.78 billion dollars per year in administrative cost savings due to purchasing card use, or about .04% of the agencies' budgets. In comparison to "all other" agencies, the administrative cost savings as a percent of agency budget are 10 times higher among "best practice" Federal agencies (.21% versus .02%).

If the 50-plus "all other" agencies simply used the purchasing card in a manner similar to the "best practice" programs, then "all other" agencies would spend $122 billion per year (based on purchasing card spending equal to 3.41% of "all other" agencies combined budget of $3,577.3 billion), more than eighteen times the present annual purchasing card spending of $6.7 billion. Further, conservatively assuming that "all other" agencies have the same $797 average transaction amount as is associated with all Federal government spending, the $122 billion of potential spending by "all other" agencies would translate into 153 million transactions shifted to the purchasing card ($122B/$797), generating $10.87 billion in administrative transaction cost savings (assuming $71 per transaction

cost savings as per Exhibit 33). This means that, if the 50-plus other agencies used purchasing cards to the same degree as the "best practice" agencies, the U.S. Government could potentially increase administrative cost savings at "all other" agencies by $10.1 billion over the current level (comparing the $10.87 billion in potential administrative cost savings associated with 153 million transactions to the current savings of $761.6 million based on 10.7 million transactions).

**Exhibit 147**
**Budgets, Transactions, and Administrative Cost Saving, by Federal Government and "Best Practice" and "All Other" Agencies, Fiscal Year 2009**
*(all numbers are averages except where indicated otherwise)*

| | Agency Budgets, FY 2009 (in $ billions) | 2009 P-Card Transactions | Approximate Current Administrative Cost Savings @ $71 per Transaction | Current Administrative Cost Savings as a % of Agency Budgets |
|---|---|---|---|---|
| Total, "Best Practice" Agencies | $370.02 | 11,095,445 | $787,776,595 | 0.21% |
| "All Other" Agencies | $3,577.33 | 10,727,113 | $761,625,023 | 0.02% |
| Department of Interior (one card program) | $17.32 | 3,258,916 | $231,383,036 | 1.34% |
| Total Federal Government | $3,964.67 | 25,081,474 | $1,780,784,654 | 0.04% |

## States and State Agencies

The State and State Agency programs comprise about 5% of the 1,915 responses to the 2009 Purchasing Card Benchmark Survey. Purchasing card spending by States and State agencies can be a roller coaster ride tied to budget windfalls, shortfalls, and stimulus plans. In the period from 2007 through 2009, state budgets did not experience dramatic change. However, future budgets are far less optimistic.

## States and State Agencies: Expected and Realized Spending Growth

Past and expected growth of State and State Agency purchasing card programs are shown earlier in this report in Exhibits 10, 11, 16, and 17. Exhibit 10 revealed that 73% of State programs reported purchasing card spending growth from 2007 through 2009, 2% reported no change, and 25% reported a decline in purchasing card spending. Exhibit 11 shows the average self-reported purchasing card spending growth rate of State programs between 2007-2009 to be 10.3% (or an annual average rate of 5.1%). Exhibit 16 shows that 68% of State and State Agency programs expect purchasing card spending to increase by 2012, 14% expect no change in purchasing card spending from 2009, and 18% expect purchasing card spending to decline. Exhibit 17 reveals that State programs expect a modest 2% growth in purchasing card spending in 2010 and an average purchasing card spending growth rate of 8.6% per year over the next five years—the lowest of all organizational categories.

## States and State Agency Purchasing Card Program Performance

The next three exhibits provide details on purchasing card program performance of States and State Agencies. Due to size-based differences among the agencies, we will examine Small, Mid-Size, and Large State Agencies separately.

## Large State Agencies

**Exhibit 148** shows that average monthly purchasing card spending at large State government programs (agencies with more than 30,000 employees) increased by 32% (from $13.4 million to $17.6 million) in the two-year period from 2007 through 2009. Other key ratios indicate notable changes among Large State agencies in 2007-2009. For example, monthly purchasing cad spending per employee increased 34% from $208 in 2007 to $279 in 2009; and the capture of under $2,500 transactions on the purchasing card increased from 41% in 2007 to 53% in 2009; the capture of $2,500 to $10,000 transactions increased from 26% in 2007 to 40% in 2009; and monthly spending per card has increased 41% (from $1,141 in 2007 to $1,604 in 2009).

**Exhibit 148**
**Large State Agency Purchasing Card Program Performance Statistics (over 30,000 employees), 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 64,100 | 62,911 | -2% |
| **Program Performance Measures** | | | |
| Number of purchasing cards | 11,706 | 10,965 | -6% |
| Card-to-employee ratio | 18.3% | 17.4% | -5% |
| Average monthly p-card spending | $13,352,997 | $17,582,088 | 32% |
| Median monthly p-card spending | $14,000,000 | $17,146,109 | 22% |
| Transactions under $2,500 placed on p-card | 41% | 53% | 29% |
| Transactions between $2,500 and $10,000 placed on p-card | 26% | 40% | 54% |
| Monthly p-card spending per employee | $208 | $279 | 34% |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 3.48 | 4.79 | 38% |
| Spending per transaction | $328 | $335 | 2% |
| Monthly spending per card | $1,141 | $1,604 | 41% |
| Active cards in a typical month | 78% | 81% | 4% |

## Mid-size State Agencies

**Exhibit 149** shows that average monthly purchasing card spending at mid-sized State government and State agencies (between 3,000 and 30,000 employees) increased by 15% (from $1.8 to nearly $2.1 million) in the two-year period from 2007 through 2009. Monthly transactions per card decreased from 4.89 in 2007 to 3.88 in 2009. The purchasing card-to-employee ratio increased from 14.8% in 2007 to 16.5% in 2009, monthly spending per card declined 5% from $1,178 in 2007 to $1,123 in 2009; the capture of under $2,500 transactions on the purchasing card remained at 44% in 2007 and 2009; and the capture of $2,500 to $10,000 transactions on the purchasing card increased from 30% in 2007 to 32% in 2009.

**Exhibit 149**
**Mid-Size State Agency Purchasing Card Program Performance Statistics (between 3,000 and 30,000 employees), 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 10,840 | 11,084 | 10,340 | 11,182 | 8% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 1,103 | 1,444 | 1,530 | 1,851 | 21% |
| Card-to-employee ratio | 10.2% | 13.0% | 14.8% | 16.5% | 12% |
| Average monthly p-card spending | $975,409 | $1,312,149 | $1,801,322 | $2,078,200 | 15% |
| Median monthly p-card spending | $902,964 | $1,233,780 | $914,050 | $1,362,919 | 49% |
| Transactions under $2,500 placed on p-card | 32% | 32% | 44% | 44% | 0% |
| Transactions between $2,500 and $10,000 placed on p-card | 9% | 11% | 30% | 32% | 7% |
| Monthly p-card spending per employee | $90 | $118 | $174 | $186 | 7% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 4.63 | 4.17 | 4.89 | 3.88 | -21% |
| Spending per transaction | $191 | $218 | $241 | $289 | 12% |
| Monthly spending per card | $885 | $909 | $1,178 | $1,123 | -5% |
| Active cards in a typical month | 74% | 73% | 71% | 70% | -1% |

## Small State Agencies

**Exhibit 150** on the next page shows that average monthly purchasing card spending at Small State agencies (with less than 3,000 employees) decreased by 17% (from $212,909 to $177,710) from 2007 through 2009. Median spending decreased by 9% (from $132,500 to $120,000) during the same period. Card distribution across the employee base among Small State Agencies increased from 15.7% in 2007 to 20.8% in 2009. Monthly purchasing card spending per employee at Small State Agencies increased 6% between 2007-2009.

**Exhibit 150**
**Small State Agency Purchasing Card Program Performance Statistics (less than 3,000 employees), 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 703 | 720 | 1,206 | 949 | -21% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 68 | 96 | 189 | 198 | 5% |
| Card-to-employee ratio | 9.6% | 13.3% | 15.7% | 20.8% | 32% |
| Average monthly p-card spending | $68,528 | $149,922 | $212,909 | $177,710 | -17% |
| Median monthly p-card spending | $35,606 | $90,000 | $132,500 | $120,000 | -9% |
| Transactions under $2,500 placed on p-card | 33% | 37% | 50% | 61% | 22% |
| Transactions between $2,500 and $10,000 placed on p-card | 10% | 11% | 25% | 34% | 36% |
| Monthly p-card spending per employee | $97 | $208 | $176 | $187 | 6% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 9.82 | 7.69 | 3.90 | 4.37 | 12% |
| Spending per transaction | $103 | $203 | $289 | $206 | -29% |
| Monthly spending per card | $1,013 | $1,562 | $1,127 | $899 | -20% |
| Active cards in a typical month | 86% | 82% | 79% | 83% | 5% |

## Cities and Counties

Cities and Counties comprise about 16% of the 1,915 responses to the 2009 Purchasing Card Benchmark Survey. This section reports on the progress of Cities and Counties with their purchasing card programs, as well as the trends expected in the next five years.

## Cities and Counties: Expected and Realized Spending Growth

Past and expected growth of City and County purchasing card programs are shown earlier in this report in Exhibits 10, 11, 16, and 17. Exhibit 10 revealed that 66% of City and County programs reported purchasing card spending growth in the two-year period from 2007 through 2009, 15% reported no change, and 19% reported a decline in purchasing card spending. Exhibit 11 showed the average self-reported growth in purchasing card spending by City and County programs between 2007-2009 to be 22.9% (or an annual average rate of 11.4%). Exhibit 16 shows that 73% of City and County programs expect purchasing card spending to increase by 2012, 18% expect no change in purchasing card spending from 2009, and 9% expect purchasing card spending to decline. Exhibit 17 reveals that City and County programs expect a 3% growth in purchasing card spending in 2010 and expect an average purchasing card spending growth of 9.2% per year over the next five years.

## City and County Purchasing Card Program Performance

The response base in 2003, 2005, and 2007 allows us to breakdown the City and County responses into larger and smaller Cities and Counties.

## Large Cities and Counties

**Exhibit 151** reveals that the average purchasing card spending at Large Cities and Counties (those with more than 1,000 employees) decreased by 6% in the 2007-2009 period (from $609,212 to $545,023). Median spending decreased by 16% from $475,000 in 2007 to $350,484 in 2009. The most notable program difference between 2007 and 2009 that contributed to the change in Large City/County spending is a 19% decrease in the percent of employees that have a purchasing card (from 13.8% in 2007 to 10.9% in 2009). Other notable differences include an increase in the spending per transaction (from $265 in 2007 to $297 in 2009) and an increase in the monthly spending per card (from $1,128 in 2007 to $1,324 in 2009).

**Exhibit 151**
**Large City and County Purchasing Card Program Performance Statistics (more than 1,000 employees), 2003, 2005, 2007, and 2009 Surveys**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 2,859 | 3,957 | 3,918 | 3,763 | -7% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 366 | 472 | 540 | 412 | -20% |
| Card-to-employee ratio | 12.8% | 11.9% | 13.8% | 10.9% | -19% |
| Average monthly p-card spending | $272,436 | $415,195 | $609,212 | $545,023 | -6% |
| Median monthly p-card spending | $211,757 | $232,863 | $475,000 | $350,484 | -16% |
| Transactions under $2,500 placed on p-card | 23% | 39% | 43% | 50% | 16% |
| Transactions between $2,500 and $10,000 placed on p-card | 7% | 11% | 10% | 19% | 90% |
| Monthly p-card spending per employee | $95 | $105 | $155 | $145 | -4% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 3.94 | 3.75 | 4.25 | 4.45 | 5% |
| Spending per transaction | $189 | $235 | $265 | $297 | 12% |
| Monthly spending per card | $745 | $880 | $1,128 | $1,324 | 18% |
| Active cards in a typical month | 68% | 70% | 75% | 76% | 1% |

## Small Cities and Counties

**Exhibit 152** shows that average purchasing card spending at small Cities and Counties (those with 1,000 or fewer employees) increased by 11% (from $135,809 to $151,383) in the 2007-2009 time period. Median spending increased by 15% during the same time frame (from $87,000 in 2007 to $100,000 in 2009). Additionally, Small Cities and Counties report a 14% increase in the capture of $2,500 to $10,000 transactions on the purchasing card, increasing from 22% in 2007 to 25% in 2009.

**Exhibit 152**
**Small City and County Purchasing Card Program Performance Statistics (fewer than 1,000 employees), 2003, 2005, 2007, and 2009 Surveys**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 548 | 468 | 407 | 476 | 17% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 197 | 129 | 132 | 149 | 13% |
| Card-to-employee ratio | 36.0% | 27.3% | 32.3% | 31.3% | -3% |
| Average monthly p-card spending | $176,007 | $102,458 | $135,809 | $151,383 | 11% |
| Median monthly p-card spending | $130,000 | $61,376 | $87,000 | $100,000 | 15% |
| Transactions under $2,500 placed on p-card | 37% | 38% | 43% | 43% | 0% |
| Transactions between $2,500 and $10,000 placed on p-card | 21% | 22% | 22% | 25% | 14% |
| Monthly p-card spending per employee | $321 | $219 | $334 | $318 | -5% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 3.72 | 4.57 | 4.22 | 4.21 | 0% |
| Spending per transaction | $240 | $176 | $244 | $242 | -1% |
| Monthly spending per card | $893 | $803 | $1,033 | $1,016 | -2% |
| Active cards in a typical month | 80% | 76% | 77% | 80% | 4% |

## Conclusion and Comparison of Government Segments

The Government category is surprisingly diverse in its approach to purchasing cards. **Exhibit 153** shows that Federal agencies continue to set the standard for governmental "best practice" on key metrics like monthly spending per employee (on average, $431) and capture of under $2,500 transactions (56%) and $2,500 to $10,000 transactions (36%) on the purchasing card. With respect to the former point, Federal agencies purchasing card use is enabled by laws and mandates that push most transactions below $3,000 to the purchasing card, a feature rarely seen in the State or City/County category. Thus, we find that the average transaction amount at Federal agencies ($797) is significantly higher than State Agencies ($307) or Cities/Counties ($296).

State agencies and City/County purchasing card programs, by contrast, report steady purchasing card results. The challenge for these organizations does not appear to be card distribution, which is above the sample average (9.8% as shown in Exhibit 23 of this Report). Rather, it is an issue of card use. As we reported in previous Survey results, local and state laws often restrict purchasing card use to items of a set amount (such as $1,000), and thus limit the potential value derived from card use.

**Exhibit 153**
**Comparison of Federal Government, States and State Agencies, and City and County Government Selected Card Program Metrics**
*(all numbers are averages except where indicated otherwise)*

| | Federal Government | All States and State Agencies | Cities and Counties |
|---|---|---|---|
| **Program Performance Measures** | | | |
| Card-to-employee ratio | 10.1% | 17.6% | 11.8% |
| Transactions under $2,500 placed on p-card | 56% | 55% | 47% |
| Transactions between $2,500 and $10,000 placed on p-card | 36% | 34% | 22% |
| Spending per employee | $431 | $250 | $168 |
| **Cardholder activity measures** | | | |
| Monthly spending per card | $4,270 | $1,421 | $1,419 |
| Spending per transaction | $797 | $307 | $296 |
| Transactions per card | 5.36 | 4.62 | 4.80 |
| Active cards in a typical month | 88% | 77% | 78% |

## Greater Detail on the Governmental Sector

Appendix A provides benchmark details of key purchasing card program performance measures for Cities and Counties and State and Federal agencies.

# Card Program Performance of Education and Not-for-Profit Organizations

- Universities
- Universities: Expected and Realized Spending Growth
- University Purchasing Card Program Performance
- Large University Purchasing Card Program Performance
- Small University Purchasing Card Program Performance
- Similarities Across Large and Small Colleges and Universities
- School Districts
- School Districts: Expected and Realized Spending Growth
- School District Purchasing Card Programs
- Not-for-Profit Organizations
- Not-for-Profit Organizations: Expected and Realized Spending Growth
- Not-for-Profit Purchasing Card Program Performance

# Card Program Performance of Education and Not-for-Profit Organizations

## Universities

Universities comprise about 11% of the 1,915 responses to the 2009 Purchasing Card Benchmark Survey. This sections reports on the past and expected future trends in purchasing card spending at Universities.

## Universities: Expected and Realized Spending Growth

Past and expected growth of University purchasing card programs are shown earlier in this report in Exhibits 10, 11, 16, and 17. Exhibit 10 revealed that 79% of University programs report purchasing card spending growth from 2007 through 2009, 6% reported no change, and 15% reported a decline in purchasing card spending. Exhibit 11 showed the average self-reported purchasing card spending growth of University programs between 2007-2009 to be 20.2% (or an annual average rate of 10.1%). Exhibit 16 revealed that 77% of University programs expect purchasing card spending to increase by 2012, 9% expect no change in purchasing card spending from 2009, and 14% expect purchasing card spending to decline. Exhibit 17 reveals that University programs expect a 7.0% growth in purchasing card spending in 2010 and expect average purchasing card spending growth of 8.8% per year over the next five years.

## University Purchasing Card Programs

Colleges and Universities are an excellent example of an organizational type that fits well with the purchasing card concept. Most University purchases are for low value classroom, laboratory, and maintenance items. Thus, it is not surprising that purchasing cards have been well-received across campuses in North America. To better understand University use of purchasing cards in 2009, we examine purchasing card spending data at larger (5,000 or more employees) and smaller (less than 5,000 employees) Universities.

## Large University Purchasing Card Program Performance

As shown in **Exhibit 154**, the average monthly purchasing card spending at large Colleges and Universities rose from $2.8 million in 2007 to $3.2 million in 2009. Median monthly purchasing card spending rose from $2.5 million to $2.7 million in the same time frame. Other notable changes between 2007 and 2009 include:

- higher monthly purchasing card spend per employee ($291 in 2009 versus $279 in 2007),
- higher capture of under $2,500 transactions (55% in 2009 versus 41% in 2007) and $2,500 to $10,000 transactions (31% in 2009 versus 15% in 2007) on purchasing cards,
- higher monthly transactions per card (5.76 in 2009 versus 5.44 in 2007), and
- higher monthly spending per card ($1,726 in 2009 versus $1,662 in 2007).

**Exhibit 154**
**Large University Purchasing Card Program Performance Statistics (5,000 or more employees), 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 9,320 | 10,671 | 10,012 | 10,924 | 9% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 1,551 | 1,380 | 1,688 | 1,844 | 9% |
| Card-to-employee ratio | 16.6% | 12.8% | 16.8% | 16.9% | 1% |
| Average monthly p-card spending | $1,450,974 | $2,163,358 | $2,798,087 | $3,182,852 | 14% |
| Median monthly p-card spending | $907,083 | $1,860,000 | $2,500,000 | $2,699,478 | 8% |
| Transactions under $2,500 placed on p-card | 33% | 34% | 41% | 55% | 34% |
| Transactions between $2,500 and $10,000 placed on p-card | 9% | 10% | 15% | 31% | 107% |
| Monthly p-card spending per employee | $156 | $203 | $279 | $291 | 4% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 4.88 | 6.03 | 5.44 | 5.76 | 6% |
| Spending per transaction | $189 | $262 | $305 | $299 | -2% |
| Monthly spending per card | $936 | $1,579 | $1,662 | $1,726 | 4% |
| Active cards in a typical month | 77% | 77% | 80% | 81% | 1% |

## Small University Purchasing Card Program Performance

As shown in **Exhibit 155** on the next page, average monthly purchasing card spending at smaller Colleges and Universities increased by 28% (from $499,196 in 2007 to $637,585) between 2007-2009. Median monthly purchasing card spending rose from $301,789 to $350,000 in the same time frame. The most notable program difference between smaller Colleges and Universities in 2007 and 2009 is a 14% increase in monthly transactions per card (from 5.63 in 2007 to 6.43 in 2009). Other differences include:

- higher monthly purchasing card spending per employee ($332 in 2009 versus $306 in 2007),
- higher monthly spending per purchasing card ($1,506 in 2009 versus $1,414 in 2007), and
- a lower average transaction amount ($234 in 2009 versus $251 in 2007).

**Exhibit 155**
**Smaller University Purchasing Card Program Performance Statistics (less than 5,000 employees), 2003, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2003 | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|---|
| **Company Statistics** | | | | | |
| Number of employees | 1,710 | 1,535 | 1,631 | 1,920 | 18% |
| **Program Performance Measures** | | | | | |
| Number of purchasing cards | 519 | 302 | 354 | 423 | 20% |
| Card-to-employee ratio | 29.8% | 16.5% | 21.6% | 22.1% | 2% |
| Average monthly p-card spending | $496,475 | $442,258 | $499,196 | $637,585 | 28% |
| Median monthly p-card spending | $200,000 | $180,000 | $301,789 | $350,000 | 16% |
| Transactions under $2,500 placed on p-card | 37% | 39% | 47% | 47% | 0% |
| Transactions between $2,500 and $10,000 placed on p-card | 11% | 17% | 20% | 20% | 0% |
| Monthly p-card spending per employee | $290 | $288 | $306 | $332 | 9% |
| **Cardholder Activity Measures** | | | | | |
| Monthly transactions per card | 4.21 | 6.47 | 5.63 | 6.43 | 14% |
| Spending per transaction | $230 | $233 | $251 | $234 | -7% |
| Monthly spending per card | $957 | $1,599 | $1,414 | $1,506 | 6% |
| Active cards in a typical month | 79% | 79% | 83% | 82% | -1% |

## Similarities Across Large and Small Colleges and Universities

Comparisons of Large and Small Universities in 2009 indicate many similarities across higher education institutions of different size. In comparison to the total sample, both Large and Small Universities have above average card distribution (16.9% for Large and 22.1% for Small Universities in contrast to survey norm of 9.8% as shown in Exhibit 23), above average monthly purchasing card spending per employee ($291 for Large and $332 for Small Universities in contrast to survey norm of $178), and above capture of under $2,500 transactions on purchasing cards (55% for Large and 47% for Small Universities in contrast to survey norm of 44%).

## School Districts

School Districts comprise about 11% of the 1,915 responses to the 2009 Purchasing Card Benchmark Survey. This sections reports on the past and expected future trends in purchasing card spending at School Districts.

## School Districts: Expected and Realized Spending Growth

Past and expected growth of School District purchasing card programs are shown earlier in this report in Exhibits 10, 11, 16, and 17. Exhibit 10 revealed that 75% of School District programs reported purchasing card spending growth from 2007 through 2009, 13% reported no change, and 12% reported a decline in purchasing card spending. Exhibit 11 showed the average self-reported purchasing card spending growth of School District programs between 2007-2009 to be 26.7% (or an annual average rate of 13.3%). Exhibit 16 shows that 70% of School District programs expect purchasing card spending to increase by 2012, 19% expect no change in purchasing card spending from 2009, and 11% expect purchasing card spending to decline. Exhibit 17 reveals that School District programs expect a 5% growth in purchasing card spending in 2010 and expect average purchasing card spending growth of 9.4% per year over the next five years.

## School District Purchasing Card Programs

As shown in **Exhibit 156** on the next page, the average monthly purchasing card spending at School Districts rose from $390,473 in 2007 to $414,340 in 2009. Median monthly purchasing card spending rose from $144,454 to $197,641 during the same time frame. The increase in card spending is primarily attributable to greater card distribution across the School District employee base, rising from 6.5% in 2007 to 7.5% in 2009. Monthly spending per employee increased from $74 in 2007 to $83 in 2009. The number of monthly transactions per card decreased from 4.42 in 2007 to 4.03 in 2009, though spending per transaction increased from $260 to $275. The net effect is a modest decrease in the monthly spending per card, from $1,146 in 2007 to $1,107 in 2009. Finally, we note a higher capture of under $2,500 (from 31% in 2007 to 32% in 2009) and $2,500 to $10,000 (8% in 2007 to 12% in 2009) transactions on purchasing cards.

**Exhibit 156**
**School District Purchasing Card Program Performance Statistics, 2005, 2007, and 2009**
*(all numbers are averages except where indicated otherwise)*

| | 2005 | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|---|
| **Company Statistics** | | | | |
| Number of employees | 3,809 | 5,280 | 5,000 | -5% |
| **Program Performance Measures** | | | | |
| Number of plastic purchasing cards | 304 | 450 | 374 | -17% |
| Card-to-employee ratio | 8.1% | 6.5% | 7.5% | 15% |
| Average monthly p-card spending | $229,864 | $390,473 | $414,340 | 6% |
| Median monthly p-card spending | $133,135 | $144,454 | $197,641 | 37% |
| Transactions under $2,500 placed on p-card | 29% | 31% | 32% | 3% |
| Transactions between $2,500 and $10,000 placed on p-card | 10% | 8% | 12% | 50% |
| Monthly p-card spending per employee | $64 | $74 | $83 | 12% |
| **Cardholder Activity Measures** | | | | |
| Monthly transactions per card | 4.65 | 4.42 | 4.03 | -9% |
| Spending per transaction | $162 | $260 | $275 | 6% |
| Monthly spending per card | $756 | $1,146 | $1,107 | -3% |
| Active cards in a typical month | 83% | 76% | 74% | -3% |

## Not-for-Profit Organizations

Not-for-Profit organizations comprise about 9% of the 1,915 responses to the 2009 Purchasing Card Benchmark Survey. This sections reports on the past and expected future trends in purchasing card spending at Not-for-Profit organizations.

## Not-for-Profit Organizations: Expected and Realized Spending Growth

Past and expected growth of Not-for-Profit purchasing card programs are shown earlier in this report in Exhibits 10, 11, 16, and 17. Exhibit 10 revealed that 70% of Not-for-Profit programs reported purchasing card spending growth from 2007 through 2009, 17% reported no change, and 13% reported a decline in purchasing card spending. Exhibit 11 showed the average self-reported purchasing card spending growth of Not-for-Profit programs between 2007-2009 to be 24.7% (or an annual average rate of 12.4%). Exhibit 16 shows that 84% of Not-for-Profit programs expect purchasing card spending to increase by 2012, 12% expect no change in purchasing card spending from 2009, and 4% expect purchasing card spending to decline. Exhibit 17 reveals that Not-for-Profit

programs expect a 12% growth in purchasing card spending in 2010 and expect average purchasing card spending growth of 13.2% per year over the next five years.

## Not-for-Profit Purchasing Card Program Performance

**Exhibit 157** provides key program statistics for Not-for-Profit organizations. The exhibit shows that average monthly purchasing card spending at Not-for-Profit organizations rose from $676,141 in 2007 to $822,259 in 2009. Median monthly purchasing card spending declined from $243,500 to $225,000 during the same time frame. Card distribution across the employee base decreased from 6.4% in 2007 to 6.3% in 2009. Monthly spending per card increased from $2,306 in 2007 to $2,834 in 2009, driven by an increase in the average transaction amount (from $386 in 2007 to $515 in 2009). Monthly spending per employee increased from $147 in 2007 to $180 in 2009. There was a higher capture of under $2,500 (from 30% in 2007 to 34% in 2009) and $2,500 to $10,000 (15% in 2007 to 18% in 2009) transaction on purchasing cards. Finally, we note a decrease in the number of monthly transactions per card, from 5.98 in 2007 to 5.50 in 2009.

**Exhibit 157**
**Not-for-Profit Purchasing Card Program Performance Statistics, 2007 and 2009***
*(all numbers are averages except where indicated otherwise)*

| | 2007 | 2009 | 2007-2009 % Diff. |
|---|---|---|---|
| **Company Statistics** | | | |
| Number of employees | 4,613 | 4,579 | -1% |
| **Program Performance Measures** | | | |
| Number of plastic cards | 293 | 290 | -1% |
| Card-to-employee ratio | 6.4% | 6.3% | -1% |
| Average monthly p-card spending | $676,141 | $822,259 | 22% |
| Median monthly p-card spending | $243,500 | $225,000 | -8% |
| Transactions under $2,500 placed on p-card | 30% | 34% | 12% |
| Transactions between $2,500 and $10,000 placed on p-card | 15% | 18% | 22% |
| Monthly p-card spending per employee | $147 | $180 | 22% |
| **Cardholder Activity Measures** | | | |
| Monthly transactions per card | 5.98 | 5.50 | -8% |
| Spending per transaction | $386 | $515 | 33% |
| Monthly spending per card | $2,306 | $2,834 | 23% |
| Active cards in a typical month | 84% | 78% | -7% |

* Not-for-Profit organizations with a budget of less than $25 Million have been removed from the 2007 sample in order to match the 2009 sample.

## Conclusion and Greater Detail on the Not-for-Profit Sector

Purchasing card spending in the Education and Not-for-Profit segments has grown at a steady rate.  Future spending is expected to be remain strong in these segments. Appendix A provides benchmark details of key purchasing card program performance measures for the four Not-for Profit organization categories: State and Federal government, City and County government, Universities, and School Districts.

# Card Program Performance of Small Organizations

- Purchasing Card Program Performance Metrics and Card Use
- Primary Purchasing Card Program Goals
- Past Growth in Small Organization Purchasing Card Spending
- Expected Growth in Small Organization Purchasing Card Spending
- Spending Patterns
- Spending Control
- Customer Satisfaction and Switching
- Technology

# Card Program Performance of Small Organizations

About 13% of the responses to the 2009 Purchasing Card Benchmark Survey were Small Organizations (Corporations with annual sales revenue of less than $25 million or Governmental or Not-for-Profit entities with budgets of less than $25 million). By organizational type, 39% of respondents in the Small Organization category are Corporations, 22% are School Districts, 15% are City or County governmental units, 12% are Not-for-Profit organizations, 8% are State Agencies, and 4% are Colleges or Universities. The purpose of this section to examine the performance of purchasing card programs at Small Organizations and to determine what separates them from the rest of the sample.

## Purchasing Card Program Performance Metrics and Card Use

**Exhibit 158** on the next page shows the key organizational and program performance metrics of Small Organizations and all other organizations. The exhibit shows that, in comparison to all other organizations, Small Organizations:

- distribute purchasing cards to a greater percent of the employee base (30.8% versus 9.8%),
- capture a modestly higher percent of under $2,500 (46% versus 44%) and $2,500 to $10,000 transactions (33% versus 26%) on the purchasing card,
- have significantly higher monthly purchasing card spending per employee ($541 versus $178),
- conduct more transactions per month on each purchasing card (7.04 versus 6.03),
- have a lower average transaction amount ($250 versus $302), and
- report slightly lower monthly spending per purchasing card ($1,758 versus $1,817).

**Exhibit 158**
**Key Purchasing Card Usage Statistics, by Small Organizations and All Other Organizations**
*(all numbers are averages except where indicated otherwise)*

| | Small Organizations | All Other Organizations |
|---|---|---|
| **Company Statistics** | | |
| Number of employees | 118 | 7,230 |
| **Program Performance Measures** | | |
| Number of purchasing cards | 36 | 710 |
| Card-to-employee ratio | 30.8% | 9.8% |
| Average monthly p-card spending | $63,784 | $1,289,709 |
| Median monthly p-card spending | $25,000 | $350,000 |
| Transactions under $2,500 placed on p-card | 46% | 44% |
| Transactions between $2,500 and $10,000 placed on p-card | 33% | 26% |
| Spending per employee | $541 | $178 |
| **Cardholder Activity Measures** | | |
| Transactions per card | 7.04 | 6.03 |
| Spending per transaction | $250 | $302 |
| Spending per card | $1,758 | $1,817 |
| Active cards in a typical month | 85% | 81% |

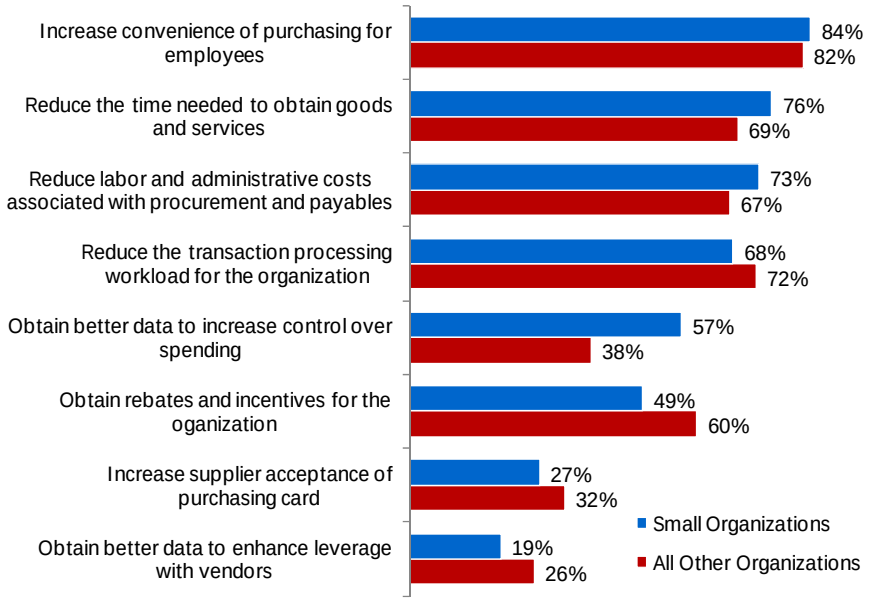
## Primary Purchasing Card Program Goals

Because of their size and its concomitant resource limitations, the purchasing card program goals of Small Organizations may differ from other respondents. **Exhibit 159** on the next page shows the percentage of organizations identifying specific items as primary goals of purchasing card programs at Small Organizations and all other organizations. The exhibit indicates that the most important goal at both Small Organizations and all other organizations is to increase convenience of purchasing for employees. However, the exhibit also shows that, in comparison to all other organizations, Small Organizations are:

- more likely to indicate that “reducing the time needed to obtain goods and services” is a primary goal of their purchasing card program (76% versus 69%),
- more likely to indicate that “obtaining better data to increase control over spending “ is a primary goal of their purchasing card program (57% versus 38%),
- less likely to indicate that “obtaining better data to enhance leverage with vendors” is a primary goal of their purchasing card program (19% versus 26%), and

- less likely to indicate that “obtaining rebates and incentives for the organization” is a primary goal of their purchasing card program (49% versus 60%).

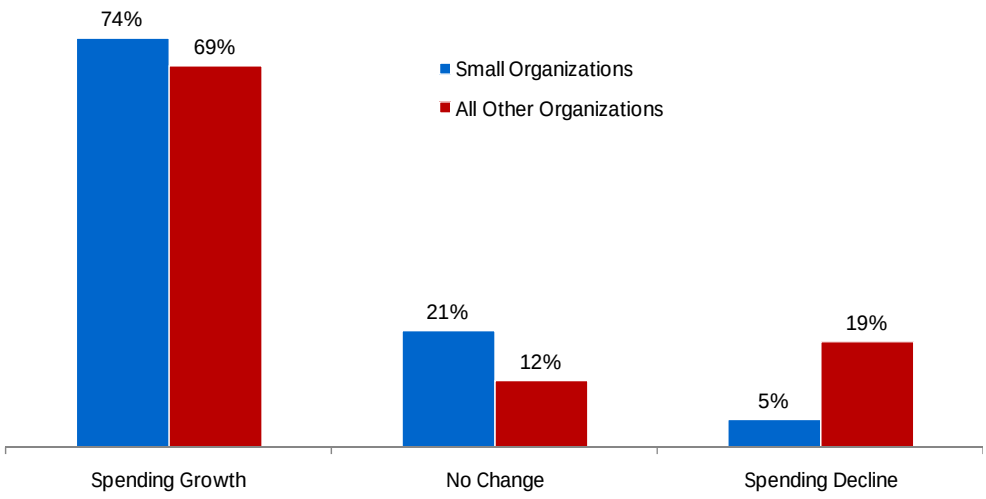
**Exhibit 159**
**Primary Purchasing Card Goals, Small and All Other Organizations**




## Past Growth in Small Organization Purchasing Card Spending

**Exhibit 160** on the next page shows the percentage of Small Organizations reporting purchasing card spending growth changes between 2007 and 2009. The exhibit shows that, in comparison to all other organizations, a higher percentage of Small Organizations report card spending growth (74% versus 69%) or a flat line in purchasing card spending (21% versus 12%) between 2007-2009. A significantly lower percentage of Small Organizations experienced a decline in purchasing card spending since 2007 (5% versus 19%).

**Exhibit 160**
**Type of Change in Purchasing Card Spending between 2007 and 2009, by Small and All Other Organizations**




Based on respondent reports of current and past spending, **Exhibit 161** shows that the two year growth rate in purchasing card spending (from 2007 through 2009) for Small Organizations is 40.7% (or about 20% per year), a figure that is over twice that of all other organizations (17.6% over the past two years, or about 8.8% per year).

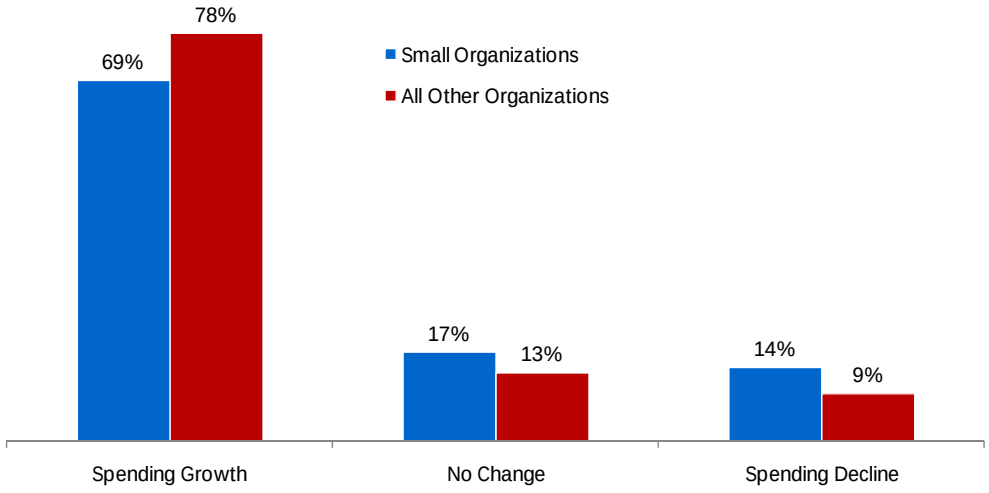
**Exhibit 161**
**Past and Expected Future Purchasing Card Spending Growth, by Small and All Other Organizations**

| | Small Organizations | All Other Organizations |
|---|---|---|
| **Growth Rate 2007-2009** | | |
| Total spending change over the two years, 2007-2009 | 40.7% | 17.6% |

## Expected Growth in Small Organization Purchasing Card Spending

**Exhibit 162** on the next page compares the percentage of Small Organizations and all other organizations expecting purchasing card spending change by 2012. The exhibit shows that Small Organizations are less likely to expect purchasing card spending growth in the next three years (69% versus 78%) and more likely to expect no change (17% versus 13%) or spending decline (14% versus 9%).

**Exhibit 162**
**Type of Change Expected in Purchasing Card Spending by 2012, by Small and All Other Organizations**




The purchasing card spending growth rate of Small Organizations since 2007 has been significantly higher than all other organizations, but Small Organizations project lower growth going forward. **Exhibit 163** shows that Small Organizations expect modestly slower purchasing card spending growth than all other organizations in 2010 (7.7% versus 9.1%), in the three year period from 2009 through 2012 (27.1% versus 32.3%), and the five year period from 2009 through 2014 (51.9% versus 58.3%).

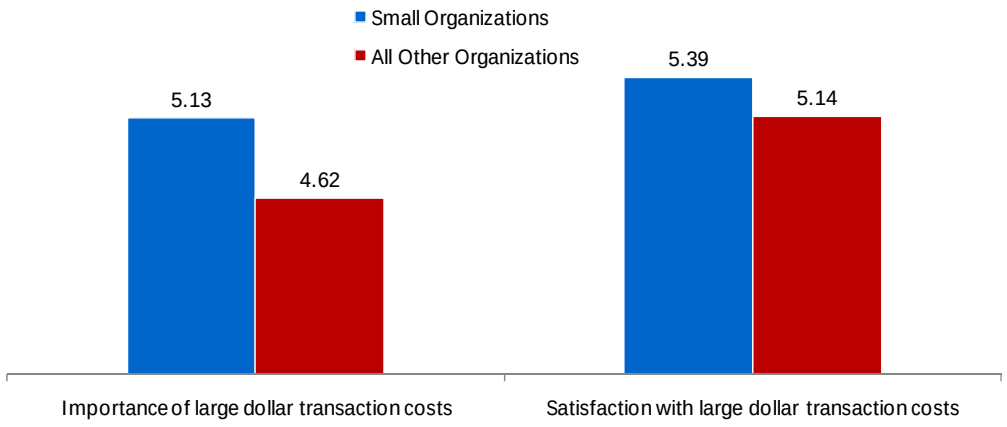
**Exhibit 163**
**Expected Purchasing Card Spending Growth, by Small Organizations and All Other Organizations**

| Expected Growth Rate through 2014 | Small Organizations | All Other Organizations |
|---|---|---|
| Total spending change expected in 2010 | 7.7% | 9.1% |
| Total spending change expected over the three years, 2009-2012 | 27.1% | 32.3% |
| Total spending change expected over the five years, 2009-2014 | 51.9% | 58.3% |

## Spending Patterns

Given differences in need, Small Organizations are less likely to purchase many categories of goods and services. However, our survey response indicates that Small Organizations are more likely to use their purchasing cards for capital asset acquisitions (35% versus 26% for all other organizations). Further, Small Organizations, on average, pay for 37% of their capital asset acquisitions with purchasing cards, more than double that of the sample average (15%). The significance of larger dollar transactions (such as purchases of capital assets) is reflected in Small Organization responses about the importance of large dollar transaction costs associated with purchasing card purchases. **Exhibit 164** shows that Small Organizations place significantly higher importance on large dollar transaction costs than all other organizations (5.13 versus 4.62 on a 7 point scale of importance) and that, at present, Small Organizations are more satisfied with large dollar transaction costs than other organizations.

**Exhibit 164**
**Importance and Satisfaction with Large Dollar Transaction Costs, by Small and All Other Organizations**
***(where 1 = not important or very dissatisfied and 7 = very important or very satisfied)***




## Spending Control

Some controls choices vary between Small Organizations and all other organizations. **Exhibit 165** on the next page shows that, in comparison to all other organizations, purchasing card programs at Small Organizations:

- have per transaction spending limits that are 14% and monthly spending limits that are 9% lower than all other organizations, and
- are more likely to restrict card use to managers or supervisors (30% versus 16%) or Purchasing personnel (25% versus 9%).

**Exhibit 165**
**Training and Control Choices, by Small and All Other Organizations**

| | Small Organizations | All Other Organizations | Difference |
|---|---|---|---|
| **Spending Limits** | | | |
| Per transaction spending limit cards | $2,103 | $2,467 | -$364 |
| Monthly spending limits | $8,739 | $9,585 | -$846 |
| **Restrictions. Percent of Organizations that:** | | | |
| Restrict card use to managers/ supervisors | 30% | 16% | 13% |
| Restrict card use to Purchasing personnel | 25% | 9% | 16% |

## Customer Satisfaction and Switching

**Exhibit 166** reveals that Small Organizations are characterized by a smaller gap between the importance they assign and their satisfaction with six aspects of purchasing card programs. This is mostly due to the fact that Small Organizations attach lower importance than the rest of the market to most aspects of purchasing card programs.

**Exhibit 166**
**Comparison of Gap Analysis on Economics, Customer Service, and Technology Themes, by Small and All Other Organizations**

| | Small Organizations | | | All Other Organizations | | |
|---|---|---|---|---|---|---|
| **Item** | Imp. | Sat. | Gap | Imp. | Sat. | Gap |
| Overall economic relationship with card issuer in relation to p-cards | 5.36 | 5.68 | 0.32 | 5.64 | 5.68 | 0.04 |
| Overall customer service and support | 6.30 | 5.85 | -0.45 | 6.31 | 5.60 | -0.71 |
| Overall capture of transaction-related information | 6.16 | 5.49 | -0.67 | 6.30 | 5.40 | -0.90 |
| Overall integration of p-card data with your organizational information systems | 4.92 | 4.77 | -0.15 | 5.68 | 5.12 | -0.56 |
| Overall ability of bank technology to support p-card program management | 5.97 | 5.90 | -0.07 | 6.22 | 5.52 | -0.70 |
| Overall reporting package | 5.71 | 5.33 | -0.38 | 6.05 | 5.17 | -0.88 |

**Exhibit 167** shows that Small Organizations are less likely than other organizations (3% versus 13%) to be considering switching purchasing card issuers.

**Exhibit 167**
**Consideration of Switching Purchasing Card Issuers, by Small and All Other Organizations**

| | Small Organizations | All Other Organizations |
|---|---|---|
| Percent of organizations currently considering switching p-card issuers | 3% | 13% |

## Technology

**Exhibit 168** reveals that, in comparison to all other organizations, Small Organizations are more likely to use a standalone accounting package (51% versus 10%) and less likely to use an ERP package (17% versus 64%). The exhibit also shows that, in comparison to other organizations, Small Organizations are less likely to seamlessly integrate their purchasing card data with their organizational accounting system (40% versus 59%).

**Exhibit 168**
**Type of AP Software Used, by Small and All Other Organizations**

| | Small Organizations | All Other Organizations | Difference |
|---|---|---|---|
| ERP package (such as SAP, Oracle, PeopleSoft) | 17% | 64% | -47% |
| Standalone accounting package (such as ABS, Anybill, Capterra, Sage, Intuit Quickbooks, M&D, etc.) | 51% | 10% | 41% |
| Percent of organizations whose p-card data is seamlessly imported and integrated into organizational accounting system | 40% | 59% | -19% |

## Conclusion

Purchasing card programs at Small Organizations have unique characteristics and needs. Like their larger counterparts, the most important goal of Small Organizations is to increase convenience for employees. However, Small Organizations are more likely to consider cycle time reduction and the attainment of better data to increase control over spending as primary goals for their purchasing card program. They are also less likely to consider the use of card data to enhance leverage with vendors or rebates and incentives as primary program goals.

In comparison to larger organizations, Small Organizations distribute purchasing cards to a greater percent of their employees which drives the capture of a modestly higher percent of under $2,500 and $2,500 to $10,000 transactions on the purchasing card and significantly higher purchasing card spending per employee.

Over the past two years, the reported growth rate in purchasing card spending for Small Organizations was 40.7% (or about 20% per year), a figure that is over twice that of the sample as a whole (17.6% over two years, or about 8.8% per year). The expectations of future growth, however, are more subdued. Small Organizations expect modestly slower purchasing card spending growth than the sample as a whole in 2010 (7.7% versus 9.1%), in the three year period between 2009-2012 (27.1% versus 32.3%), and the five year period between 2009-2014 (51.9% versus 58.3%).

Given resource constraints, it is not surprising that that Small Organizations are less likely to purchase almost every category of goods and services. The one exception is that Small Organizations are more likely to use their purchasing card for capital assets. Hence, Small Organizations place greater importance on larger dollar transaction costs as a component of the economic relationship regarding purchasing cards.

Some control choices characterize Small Organizations. Specifically, in comparison to all other organizations, purchasing card programs at Small Organizations have per transaction spending limits that are 14% and monthly spending limits that are 9% lower than all other organizations, and are more likely to restrict card use to managers, supervisors, or Purchasing personnel. As might be expected, Small Organizations are also more likely to use a standalone accounting packages (as opposed to ERP) and are less likely to seamlessly import their purchasing card data and integrate it into their organizational accounting system. Finally, Small Organizations are generally more satisfied with their purchasing card programs and are less likely than the other organizations to be considering switching purchasing card issuers.

# Conclusion

The 2010 Purchasing Card Benchmark Survey Results provide the most comprehensive independent examination of the organizational use of purchasing cards to date, updating and expanding on the information contained in our five previous studies (in 1998, 2001, 2003, 2005, and 2007). In particular, this edition presents "deeper cuts" of historic and current perspective on customer goals for purchasing card use, factors driving purchasing card utilization, the technology trends that support card use, and relationship issues between vendors and buyers in regard to card payments. Further, this edition--like its predecessors--focuses on enabling organizations to better assess their card program performance by comparison with similar organizations and to identify specific ways it can be improved.

## For Users

We hope the data and analyses presented in this report will enable users to focus their efforts to improve card program performance and sustain controlled growth of purchasing card spending. We urge organizations to consider the various activities associated with "best practice" identified in this report, many of which are described in Chapters 7 through 13 and summarized in Exhibit 97 of the Report.

## For Issuers

The marketplace continues to derive value from the payment for goods and services by the purchasing card. It now looks to card issuers to take this concept to the next level by providing both seamless integration with daily business activities and a rich and flexible information payload, with software support that enables the users to both manage their card program in real-time and draw even greater benefit from knowledge of spending patterns. Thus, we urge issuers to continue to make investments to meet the emerging demands of businesses in a highly competitive market.

Beyond North America, we see a relatively untapped global business-to-business marketplace presenting new landscapes of opportunity, challenge, and excitement for card technology. We look forward to examining future successes and challenges that lie ahead.

**Richard J. Palmer**
*Eastern Illinois University*

**Mahendra Gupta**
*Washington University in St. Louis*

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# Appendices

# APPENDIX A

# BENCHMARK STATISTICS BY CATEGORIES

## DISCUSSION OF CATEGORIES

Survey participants identified themselves as being in one of the following categories: public corporations, private corporations, State agencies, Federal agencies, Cities or Counties, universities, school districts, and not-for-profits. For purposes of analysis, the following categories were grouped together:

(1) Public and private corporations;
(2) State and Federal government agencies;
(3) City and County government;
(4) Universities;
(5) School districts;
(6) Not-for-Profit.

The corporate category was then subdivided into three groups based on sales revenue. The Fortune 500 size corporations group includes companies that have reported sales equal to or greater than $2 billion. The Large Market corporate group consists of companies with reported sales equal to or greater than $500 million, but below $2 billion. The Middle Market corporate group includes companies that reported sales equal to or greater than $25 million, but less than $500 million.


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## 1. BASIC P-CARD PROGRAM DATA BY CATEGORY OF RESPONDENT.

**Table 1. Number of employees: mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 27,906 | 3,772 | 858 | 16,892 | 2,290 | 5,518 | 5,000 | 4,579 |
| 75th Percentile | 35,000 | 4,500 | 934 | 18,000 | 2,200 | 6,176 | 5,850 | 6,075 |
| Median | 14,000 | 2,250 | 450 | 7,000 | 903 | 2,883 | 2,800 | 2,053 |
| 25th Percentile | 7,000 | 1,500 | 245 | 1,200 | 480 | 773 | 1,065 | 673 |

**Table 2. Number of purchasing cards: mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 2,119 | 449 | 153 | 2,628 | 271 | 951 | 374 | 290 |
| 75th Percentile | 2,700 | 661 | 173 | 2,900 | 355 | 1,251 | 501 | 250 |
| Median | 1,200 | 241 | 80 | 800 | 200 | 452 | 216 | 100 |
| 25th Percentile | 350 | 100 | 30 | 85 | 90 | 204 | 57 | 38 |

**Table 3. Age of program; percent of programs that are:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| < 1 Year Old | 4% | 6% | 15% | 0% | 2% | 2% | 6% | 8% |
| 1 - 2 Years | 6% | 18% | 22% | 3% | 8% | 6% | 14% | 18% |
| 3 - 4 Years | 16% | 20% | 24% | 5% | 9% | 3% | 26% | 26% |
| 5 - 6 Years | 22% | 18% | 21% | 14% | 21% | 18% | 18% | 20% |
| 7 - 10 years | 27% | 24% | 11% | 37% | 33% | 34% | 27% | 20% |
| 11 - 15 years | 18% | 11% | 6% | 32% | 23% | 29% | 9% | 7% |
| 15 + Years | 7% | 3% | 1% | 9% | 4% | 7% | 0% | 1% |


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## 2. PURCHASING CARD PERFORMANCE STATISTICS.

**Table 4. Total monthly p-card spending: mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | $5,217,016 | $1,028,001 | $381,080 | $3,870,510 | $384,814 | $1,694,063 | $414,340 | $822,259 |
| 75th Percentile | $6,000,000 | $1,500,000 | $500,000 | $3,334,853 | $402,500 | $2,025,000 | $438,750 | $868,750 |
| Median | $3,000,000 | $725,000 | $207,373 | $1,000,000 | $200,000 | $760,698 | $197,641 | $225,000 |
| 25th Percentile | $1,500,000 | $250,000 | $75,840 | $150,000 | $60,938 | $250,000 | $43,750 | $73,665 |

**Table 5. Card spending per month per card: mean and quartile data by group. ***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | $3,472 | $3,508 | $3,909 | $1,588 | $1,262 | $1,620 | $1,324 | $3,589 |
| 75th Percentile | $3,837 | $4,286 | $4,348 | $1,943 | $1,481 | $2,000 | $1,675 | $2,941 |
| Median | $1,970 | $2,000 | $2,000 | $1,160 | $805 | $1,364 | $826 | $1,250 |
| 25th Percentile | $1,245 | $1,000 | $1,200 | $600 | $558 | $875 | $429 | $613 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 6. Card spending per month per employee: mean and quartile data by group. ***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | $275 | $420 | $743 | $228 | $252 | $338 | $105 | $227 |
| 75th Percentile | $374 | $537 | $829 | $321 | $321 | $423 | $149 | $375 |
| Median | $195 | $249 | $370 | $172 | $159 | $288 | $71 | $112 |
| 25th Percentile | $77 | $103 | $169 | $72 | $86 | $171 | $28 | $41 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 7. Average card transaction amount: mean and quartile data by group.***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | $552 | $437 | $422 | $290 | $289 | $267 | $260 | $686 |
| 75th Percentile | $599 | $500 | $489 | $337 | $337 | $313 | $321 | $400 |
| Median | $300 | $250 | $204 | $248 | $231 | $233 | $175 | $247 |
| 25th Percentile | $207 | $130 | $129 | $148 | $143 | $174 | $125 | $146 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 8. Number of p-card transactions per month: mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 16,212 | 4,206 | 1,483 | 12,306 | 1,301 | 5,718 | 1,507 | 1,597 |
| 75th Percentile | 17,000 | 5,000 | 1,805 | 11,146 | 1,516 | 8,050 | 2,273 | 1,500 |
| Median | 8,000 | 2,300 | 725 | 1,934 | 790 | 2,750 | 1,011 | 675 |
| 25th Percentile | 3,500 | 1,000 | 276 | 925 | 300 | 1,200 | 265 | 294 |

**Table 9. Transactions per month per card: mean and quartile data by group.***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 8.7 | 10.3 | 12.0 | 5.9 | 4.4 | 6.4 | 4.4 | 8.2 |
| 75th Percentile | 11.7 | 14.3 | 15.3 | 6.6 | 5.6 | 7.9 | 5.8 | 8.8 |
| Median | 6.6 | 8.1 | 10.0 | 4.8 | 4.0 | 6.0 | 4.0 | 6.3 |
| 25th Percentile | 4.3 | 5.0 | 5.8 | 3.3 | 2.7 | 4.2 | 2.5 | 3.6 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 10. Cards as a percent of employees: mean and quartile data by group. ***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 12.2% | 19.4% | 22.3% | 16.9% | 23.0% | 23.0% | 10.4% | 11.2% |
| 75th Percentile | 15.0% | 25.0% | 36.0% | 23.6% | 31.8% | 30.9% | 13.4% | 13.8% |
| Median | 6.2% | 9.1% | 16.7% | 13.5% | 18.5% | 18.2% | 6.4% | 5.4% |
| 25th Percentile | 2.4% | 4.2% | 6.2% | 6.0% | 9.6% | 12.2% | 3.1% | 1.8% |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 11. Percent of inactive cards (cards that have no charges placed on them in an average month): mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 19.8% | 16.0% | 12.8% | 22.0% | 21.8% | 18.3% | 26.1% | 21.5% |
| 75th Percentile | 29.5% | 20.0% | 20.0% | 30.0% | 35.0% | 25.0% | 45.0% | 30.0% |
| Median | 15.0% | 10.0% | 10.0% | 16.0% | 15.0% | 17.0% | 25.0% | 20.0% |
| 25th Percentile | 5.5% | 5.0% | 3.8% | 10.0% | 5.0% | 5.8% | 8.0% | 5.0% |

**Table 12. Percent of transactions under $2,500 paid by purchasing card: mean and quartile data by group.***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 43% | 41% | 39% | 52% | 47% | 52% | 32% | 34% |
| 75th Percentile | 70% | 70% | 60% | 80% | 79% | 75% | 50% | 50% |
| Median | 38% | 31% | 25% | 50% | 45% | 50% | 25% | 30% |
| 25th Percentile | 13% | 15% | 10% | 22% | 20% | 25% | 10% | 10% |


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 13. Percent of transactions between $2,500 and $10,000 paid by purchasing card: mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 27% | 28% | 26% | 29% | 22% | 26% | 12% | 18% |
| 75th Percentile | 34% | 40% | 35% | 54% | 30% | 40% | 10% | 25% |
| Median | 10% | 11% | 10% | 18% | 5% | 10% | 5% | 10% |
| 25th Percentile | 5% | 5% | 2% | 4% | 1% | 3% | 0% | 2% |

**Table 14. Calculated savings per transaction (cost per purchase order transaction minus cost of p-card transaction): mean and quartile data by group.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | $66 | $51 | $44 | $93 | $82 | $70 | $71 | $59 |
| 75th Percentile | $98 | $64 | $60 | $125 | $95 | $82 | $84 | $76 |
| Median | $57 | $40 | $35 | $65 | $74 | $60 | $60 | $65 |
| 25th Percentile | $30 | $32 | $32 | $58 | $69 | $43 | $41 | $41 |

**Table 15. Percent of organizations that use:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Ghost accounts | 48% | 45% | 31% | 42% | 26% | 35% | 24% | 33% |
| EAP cards | 26% | 22% | 17% | 5% | 10% | 12% | 14% | 26% |


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## 3. OPPORTUNITIES FOR PURCHASING CARD PROGRAM GROWTH.

**Table 16. Number of invoices processed by Accounts Payable per month.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 24,605 | 9,823 | 3,278 | 5,016 | 2,473 | 6,604 | 2,843 | 7,888 |
| 75th Percentile | 32,000 | 10,357 | 5,000 | 6,500 | 2,650 | 7,500 | 3,700 | 10,000 |
| Median | 16,500 | 5,900 | 2,000 | 1,500 | 1,000 | 2,900 | 1,550 | 4,100 |
| 25th Percentile | 10,000 | 2,401 | 800 | 475 | 746 | 1,200 | 475 | 1,250 |

**Table 17. Percent of paper invoices processed by Accounts Payable for less than $2,500: mean and quartile data by group. ***

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Mean | 47% | 50% | 54% | 43% | 47% | 50% | 40% | 56% |
| 75th Percentile | 75% | 74% | 80% | 68% | 75% | 80% | 59% | 90% |
| Median | 40% | 50% | 60% | 35% | 50% | 43% | 25% | 60% |
| 25th Percentile | 23% | 25% | 25% | 18% | 20% | 25% | 20% | 20% |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

## 4. DISCOUNTS ON PURCHASES.

**Table 18. Percent of organizations that:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Use p-card spending data to obtain a discount for goods or services from any vendor | 51% | 36% | 20% | 29% | 18% | 44% | 13% | 20% |


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## 5. MANAGEMENT AND CONTROL OF CARD PROGRAM.

**Table 19. Spending limits per transaction.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| $1-$500 | 4% | 10% | 14% | 9% | 13% | 3% | 17% | 15% |
| $501-$1,000 | 11% | 24% | 21% | 17% | 34% | 17% | 41% | 28% |
| $1,001-$2,500 | 44% | 34% | 39% | 40% | 35% | 41% | 33% | 26% |
| $2,501-$5,000 | 26% | 23% | 17% | 30% | 16% | 37% | 4% | 23% |
| $5,001-$10,000 | 14% | 6% | 1% | 0% | 1% | 1% | 5% | 5% |
| More than $10,000 | 1% | 3% | 8% | 4% | 1% | 1% | 0% | 3% |

**Table 20. Spending limits per month.**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| $1 to $1,000 | 0% | 6% | 7% | 8% | 10% | 5% | 16% | 11% |
| $1,001 to $3,000 | 10% | 20% | 21% | 18% | 26% | 13% | 20% | 16% |
| $3,001 to $5,000 | 19% | 26% | 25% | 26% | 28% | 25% | 33% | 31% |
| $5,001 to $10,000 | 36% | 26% | 30% | 24% | 23% | 27% | 17% | 23% |
| $10,001 to $20,000 | 20% | 11% | 9% | 4% | 8% | 18% | 7% | 5% |
| $20,001 to $50,000 | 12% | 9% | 3% | 16% | 5% | 10% | 6% | 7% |
| Greater than $50,000 | 3% | 2% | 5% | 4% | 0% | 2% | 1% | 7% |


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## 6. COMPLIANCE CONTROLS AND DATA MINING.

**Table 21. Percent of organizations that:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Provide easy access to a copy of the policies and procedures manual for p-card use to every p-card cardholder | 98.7% | 92.4% | 89.0% | 98.0% | 100.0% | 99.0% | 94.3% | 95.1% |
| Require cardholders to maintain a logbook of card activity | 27.8% | 38.7% | 28.2% | 56.9% | 41.7% | 37.5% | 65.7% | 26.2% |
| Have a documented policy regarding receipt retention for p-card spending | 97.5% | 97.8% | 87.5% | 96.1% | 96.2% | 97.1% | 98.6% | 96.7% |
| Officially reprimand or discipline cardholders who fail to submit receipts in a timely manner | 74.7% | 71.7% | 58.3% | 68.6% | 73.5% | 76.0% | 68.6% | 56.7% |
| Evaluate the spending patterns of cardholders with a high number of disputed transactions | 38.0% | 44.6% | 43.7% | 58.8% | 56.8% | 46.6% | 52.2% | 48.3% |
| De-activate p-card accounts that are unused for an extended period | 70.9% | 47.3% | 54.9% | 68.6% | 43.9% | 62.5% | 57.1% | 42.6% |
| Track and resolve disputed transactions | 73.4% | 77.4% | 88.1% | 84.3% | 88.6% | 72.8% | 91.3% | 83.6% |
| Use declining balance cards to control spending against budgets | 11.4% | 16.1% | 8.4% | 12.0% | 10.0% | 14.4% | 18.8% | 6.6% |
| Formally audit and review the p-card spending approval process | 88.5% | 80.6% | 72.7% | 92.2% | 85.5% | 88.3% | 82.6% | 81.7% |
| Use a third-party service that provides additional information to support analysis and control over purchasing card spending (e.g., ACL, Apex Analytics, D&B) | 10.1% | 9.7% | 2.1% | 2.0% | 6.1% | 7.8% | 2.9% | 3.3% |
| Conduct data mining of p-card transactions to identify potential policy violations or p-card misuse | 78.5% | 56.5% | 38.0% | 68.0% | 68.0% | 71.2% | 51.4% | 50.0% |


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## 7. INTEGRATION WITH PURCHASING.

**Table 22. Percent of companies with p-card use restrictions to:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Restrict card use to managers or supervisors | 12.7% | 17.0% | 22.8% | 6.0% | 8.5% | 5.7% | 30.0% | 26.2% |
| Restrict card use to Purchasing personnel | 10.1% | 8.6% | 10.8% | 9.8% | 4.7% | 4.8% | 8.7% | 13.3% |
| Use departmental cards where the card is not issued in a specific employee's name, but rather to a department | 22.8% | 26.6% | 22.7% | 33.3% | 25.0% | 23.8% | 38.6% | 29.5% |
| Restrict card use to one person per department | 21.3% | 37.2% | 29.5% | 11.8% | 12.5% | 17.3% | 24.3% | 23.3% |
| Have any restrictions related to the types of goods or services that can be paid for with purchasing cards | 79.5% | 79.8% | 66.0% | 86.3% | 86.3% | 90.4% | 75.7% | 86.9% |


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## 8. TRAINING.

**Table 23. Percent of companies that:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Require initial p-card training for cardholders | 74.6% | 78.6% | 65.6% | 93.8% | 88.1% | 93.4% | 81.5% | 81.8% |
| Require refresher p-card training for cardholders | 30.0% | 23.5% | 18.3% | 59.6% | 39.0% | 39.6% | 22.2% | 14.5% |
| Require initial p-card training for supervisors | 56.3% | 66.3% | 62.4% | 87.5% | 75.2% | 63.3% | 71.9% | 68.5% |
| Require refresher p-card training for supervisors | 20.0% | 21.0% | 15.0% | 61.7% | 37.4% | 29.2% | 28.6% | 19.2% |
| Provide web-based purchasing card training materials | 81.7% | 59.5% | 41.3% | 70.8% | 39.7% | 61.3% | 35.4% | 56.4% |
| Provide in-person purchasing card training | 60.0% | 68.7% | 63.3% | 87.5% | 90.7% | 89.2% | 74.2% | 80.0% |
| Provide self-study purchasing card training materials | 77.5% | 72.6% | 62.2% | 62.2% | 58.5% | 71.0% | 64.1% | 64.8% |
| Track completion of training and training updates by employees | 44.9% | 28.6% | 18.1% | 63.8% | 60.7% | 73.1% | 36.9% | 40.7% |
| Support p-card program administrator attendance at p-card user conferences to identify new ways to use p-cards | 64.3% | 47.0% | 34.4% | 64.6% | 52.5% | 72.0% | 38.5% | 44.4% |
| Have an ongoing method of communicating p-card information | 77.5% | 54.8% | 36.5% | 81.3% | 56.4% | 81.3% | 48.5% | 34.5% |
| Have a Web site that answers p-card questions | 63.4% | 39.3% | 21.4% | 64.6% | 32.5% | 64.5% | 27.7% | 25.5% |

## 9. SWITCHING BEHAVIOR.

**Table 24. Percent of companies:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| That have switched card issuers in the past 10 years | 52.1% | 51.2% | 58.9% | 46.9% | 72.6% | 51.6% | 68.2% | 55.6% |
| That are considering switching | 23.6% | 21.2% | 11.5% | 12.2% | 8.7% | 13.8% | 10.6% | 9.4% |


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## 10. ACTIVITIES AND POLICIES TO EXPAND PURCHASING CARD USE.

**Table 25. Percent of organizations that evaluate potential for increasing purchasing card spending by the following actions:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Benchmark their p-card program performance against published benchmark figures | 36.3% | 16.0% | 7.9% | 25.5% | 12.9% | 26.7% | 1.4% | 11.5% |
| Compare their p-card program performance to that of similar organizations | 36.3% | 12.8% | 11.3% | 45.1% | 25.8% | 44.8% | 18.6% | 19.7% |
| Use the bank's list of card-accepting merchants to identify additional opportunities for p-card payment | 33.8% | 25.5% | 18.5% | 27.5% | 20.5% | 21.9% | 17.1% | 23.0% |
| Analyze AP check payments to identify merchants who are to be encouraged to accept p-cards for payment | 52.5% | 43.6% | 39.7% | 49.0% | 32.6% | 42.9% | 25.7% | 34.4% |
| Reviewing purchase requisition traffic to identify employees who need p-cards | 26.3% | 29.8% | 21.2% | 35.3% | 34.8% | 42.9% | 30.0% | 24.6% |
| Analyze spending using benchmark data software tools | 11.3% | 5.3% | 3.3% | 11.8% | 4.5% | 7.6% | 4.3% | 4.9% |

**Table 26. Actions taken to reach p-card spending potential. Percent of organizations that:**

| | Fortune 500 Size | Large Market | Middle Market | State & Federal Government | City & County Government | Universities | School Districts | Not-for-Profit |
|---|---|---|---|---|---|---|---|---|
| Target specific commodities or services for p-card payment | 68.8% | 45.3% | 46.4% | 66.7% | 54.5% | 66.7% | 51.4% | 42.6% |
| Target specific vendors for p-card payment | 55.0% | 51.1% | 43.7% | 51.0% | 47.7% | 49.5% | 50.0% | 52.5% |
| Have increased the number of p-cards throughout the organization | 55.0% | 51.1% | 46.4% | 70.6% | 55.3% | 65.7% | 55.7% | 59.0% |
| Provide financial incentives for business units to increase p-card spending | 20.0% | 5.3% | 3.3% | 5.9% | 0.8% | 1.9% | 2.9% | 3.3% |
| Provide non-financial incentives to business units to increase p-card spending | 5.0% | 7.4% | 2.6% | 11.8% | 2.3% | 2.9% | 1.4% | 1.6% |
| Require the purchasing department to refuse to process purchase requisitions that could be bought on the p-card | 18.8% | 10.6% | 8.6% | 23.5% | 21.2% | 34.3% | 20.0% | 16.4% |
| Require AP to send a memo reminding employees who requisition the purchase of goods or services that these goods or services can be bought with the p-card | 25.0% | 14.9% | 8.6% | 13.7% | 12.9% | 26.7% | 8.6% | 14.8% |
| Internally charge requisitioning departments for Purchasing and Accounts Payable processing costs | 7.5% | 0.0% | 2.0% | 2.0% | 0.8% | 3.8% | 1.4% | 0.0% |


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# APPENDIX B

# BENCHMARK STATISTICS BY INDUSTRY

## DISCUSSION OF CATEGORIES

Appendix B provides a detailed analysis of key purchasing card program performance measures for nine major industrial classifications, including:

(1) Agricultural, mining, and construction;
(2) Finance, insurance, banking, and real estate;
(3) Manufacturing;
(4) Professional, scientific, and technical services;
(5) Software and IT;
(6) Telecommunications, media, and entertainment;
(7) Transportation, warehousing, and delivery services;
(8) Utilities;
(9) Wholesale and retail trade;


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## 1. BASIC P-CARD PROGRAM DATA BY CATEGORY OF RESPONDENT.

**Table 1. Number of employees: mean and quartile data by industry.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 9,041 | 4,792 | 9,077 | 6,200 | 7,258 | 7,170 | 9,338 | 4,105 | 2,836 |
| 75th Percentile | 5,000 | 5,000 | 6,000 | 5,400 | 9,750 | 10,000 | 6,522 | 5,000 | 1,750 |
| Median | 1,500 | 1,000 | 1,769 | 1,500 | 2,400 | 2,500 | 1,500 | 1,485 | 550 |
| 25th Percentile | 450 | 500 | 450 | 425 | 369 | 500 | 413 | 633 | 250 |

**Table 2. Number of purchasing cards: mean and quartile data by industry.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 607 | 434 | 610 | 336 | 283 | 348 | 513 | 1,638 | 222 |
| 75th Percentile | 657 | 520 | 450 | 350 | 244 | 349 | 475 | 1,925 | 200 |
| Median | 180 | 250 | 150 | 160 | 91 | 120 | 125 | 838 | 100 |
| 25th Percentile | 62 | 57 | 50 | 52 | 20 | 50 | 40 | 234 | 30 |

**Table 3. Age of program; percent of programs that are:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| < 1 Year Old | 10% | 7% | 9% | 9% | 13% | 16% | 9% | 5% | 19% |
| 1 - 2 Years | 21% | 10% | 17% | 16% | 21% | 16% | 34% | 3% | 17% |
| 3 - 4 Years | 14% | 37% | 17% | 28% | 29% | 19% | 15% | 15% | 27% |
| 5 - 6 Years | 21% | 20% | 23% | 17% | 8% | 19% | 14% | 18% | 20% |
| 7 - 10 years | 15% | 22% | 21% | 13% | 16% | 16% | 15% | 20% | 13% |
| 11 - 15 years | 14% | 2% | 11% | 16% | 10% | 12% | 13% | 26% | 4% |
| 15 + Years | 5% | 2% | 2% | 1% | 3% | 2% | 0% | 13% | 0% |


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## 2. PURCHASING CARD PERFORMANCE STATISTICS.

**Table 4. Total monthly p-card spending: mean and quartile data by industry.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | $1,268,237 | $742,734 | $1,304,575 | $996,277 | $1,012,005 | $916,830 | $1,652,794 | $1,485,785 | $764,065 |
| 75th Percentile | $2,000,000 | $780,000 | $1,296,646 | $1,300,000 | $1,000,000 | $950,000 | $2,100,000 | $1,712,250 | $507,500 |
| Median | $450,095 | $270,000 | $458,289 | $500,000 | $255,000 | $400,000 | $450,000 | $1,000,000 | $300,000 |
| 25th Percentile | $90,000 | $108,000 | $100,000 | $230,000 | $100,000 | $100,000 | $116,000 | $169,000 | $77,500 |

**Table 5. Card spending per month per card: mean and quartile data by industry. ***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | $2,021 | $2,001 | $2,583 | $4,138 | $3,298 | $2,878 | $4,945 | $1,037 | $2,783 |
| 75th Percentile | $2,375 | $2,410 | $3,333 | $4,405 | $4,931 | $4,179 | $7,191 | $1,316 | $3,333 |
| Median | $1,472 | $1,625 | $1,809 | $2,878 | $3,063 | $2,000 | $2,905 | $909 | $2,188 |
| 25th Percentile | $1,000 | $815 | $1,013 | $1,402 | $1,562 | $1,315 | $1,374 | $488 | $918 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 6. Card spending per month per employee: mean and quartile data by industry. ***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | $475 | $448 | $432 | $517 | $199 | $205 | $542 | $383 | $526 |
| 75th Percentile | $659 | $473 | $557 | $667 | $222 | $229 | $662 | $531 | $686 |
| Median | $250 | $279 | $229 | $200 | $120 | $100 | $260 | $353 | $283 |
| 25th Percentile | $86 | $82 | $86 | $69 | $48 | $51 | $102 | $200 | $121 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 7. Average card transaction amount: mean and quartile data by industry.***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | $281 | $231 | $334 | $330 | $538 | $413 | $519 | $207 | $287 |
| 75th Percentile | $362 | $300 | $437 | $455 | $650 | $518 | $622 | $245 | $339 |
| Median | $217 | $187 | $250 | $270 | $500 | $333 | $350 | $167 | $191 |
| 25th Percentile | $107 | $108 | $156 | $198 | $300 | $203 | $156 | $126 | $100 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 8. Number of p-card transactions per month: mean and quartile data by industry.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 5,104 | 3,150 | 4,251 | 3,075 | 1,466 | 2,253 | 4,810 | 8,468 | 2,218 |
| 75th Percentile | 6,723 | 4,000 | 4,275 | 5,100 | 1,719 | 2,731 | 6,416 | 9,945 | 2,500 |
| Median | 1,915 | 1,500 | 1,541 | 1,235 | 600 | 950 | 1,000 | 3,644 | 950 |
| 25th Percentile | 477 | 600 | 481 | 600 | 205 | 300 | 315 | 950 | 300 |

**Table 9. Transactions per month per card: mean and quartile data by industry.***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 11.9 | 8.1 | 10.5 | 10.7 | 8.3 | 7.9 | 14.0 | 4.7 | 10.7 |
| 75th Percentile | 14.5 | 10.9 | 13.7 | 14.1 | 11.8 | 11.3 | 19.6 | 5.6 | 15.0 |
| Median | 8.1 | 7.3 | 8.4 | 9.5 | 7.8 | 7.2 | 8.6 | 4.6 | 9.2 |
| 25th Percentile | 5.4 | 4.0 | 5.0 | 5.9 | 3.6 | 4.2 | 5.3 | 3.4 | 5.0 |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 10. Cards as a percent of employees: mean and quartile data by industry. ***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 23.5% | 24.2% | 16.0% | 21.7% | 4.4% | 5.7% | 15.0% | 43.1% | 21.3% |
| 75th Percentile | 38.8% | 35.7% | 20.9% | 36.4% | 5.8% | 6.3% | 22.1% | 62.2% | 35.9% |
| Median | 15.7% | 16.7% | 8.7% | 8.3% | 3.8% | 5.0% | 7.1% | 43.0% | 10.6% |
| 25th Percentile | 4.5% | 6.7% | 4.2% | 2.0% | 2.0% | 2.0% | 2.0% | 22.9% | 4.6% |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

**Table 11. Percent of inactive cards (cards that have no charges placed on them in an average month): mean and quartile data by industry.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 13.0% | 13.3% | 17.2% | 12.5% | 19.9% | 13.9% | 13.6% | 22.0% | 12.1% |
| 75th Percentile | 20.0% | 18.5% | 25.0% | 20.0% | 25.0% | 20.0% | 25.0% | 30.5% | 15.0% |
| Median | 10.0% | 10.0% | 10.5% | 10.0% | 20.0% | 10.0% | 10.0% | 15.5% | 10.0% |
| 25th Percentile | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 4.5% | 1.0% | 5.0% | 4.0% |

**Table 12. Percent of transactions under $2,500 paid by purchasing card: mean and quartile data by industry.***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 36% | 30% | 41% | 41% | 34% | 40% | 31% | 45% | 31% |
| 75th Percentile | 60% | 40% | 70% | 65% | 53% | 61% | 45% | 73% | 50% |
| Median | 20% | 20% | 31% | 30% | 20% | 28% | 20% | 45% | 20% |
| 25th Percentile | 10% | 10% | 10% | 15% | 6% | 14% | 8% | 14% | 5% |


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## 2. PURCHASING CARD PERFORMANCE STATISTICS (CONT'D).

**Table 13. Percent of transactions between $2,500 and $10,000 paid by purchasing card: mean and quartile data by industry.***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 27% | 16% | 26% | 32% | 18% | 21% | 23% | 24% | 17% |
| 75th Percentile | 43% | 25% | 30% | 50% | 21% | 25% | 33% | 25% | 25% |
| Median | 10% | 10% | 10% | 20% | 8% | 10% | 10% | 10% | 7% |
| 25th Percentile | 2% | 3% | 3% | 5% | 2% | 3% | 2% | 3% | 1% |

**Table 14. Calculated savings per transaction (cost per purchase order transaction minus cost of p-card transaction): mean and quartile data by industry.***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | $70 | $79 | $69 | $60 | $80 | $75 | $33 | $49 | $40 |
| 75th Percentile | $100 | $107 | $77 | $93 | $94 | $106 | $39 | $95 | $48 |
| Median | $64 | $65 | $40 | $68 | $79 | $70 | $35 | $51 | $38 |
| 25th Percentile | $30 | $31 | $26 | $35 | $38 | $45 | $30 | $31 | $32 |

**Table 15. Percent of organizations that use:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Ghost accounts | 28% | 32% | 38% | 48% | 34% | 40% | 42% | 25% | 41% |
| EAP cards | 15% | 17% | 21% | 16% | 29% | 19% | 27% | 3% | 13% |


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## 3. OPPORTUNITIES FOR PURCHASING CARD PROGRAM GROWTH.

**Table 16. Number of invoices processed by Accounts Payable per month.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 11,624 | 8,461 | 8,817 | 5,109 | 1,754 | 2,656 | 11,928 | 10,392 | 8,860 |
| 75th Percentile | 12,250 | 8,500 | 10,000 | 5,500 | 2,500 | 4,500 | 18,300 | 13,275 | 10,000 |
| Median | 5,000 | 2,150 | 3,750 | 3,000 | 1,000 | 2,000 | 4,000 | 3,600 | 4,700 |
| 25th Percentile | 1,500 | 500 | 1,188 | 1,500 | 475 | 400 | 1,000 | 950 | 1,500 |

**Table 17. Percent of paper invoices processed by Accounts Payable for less than $2,500: mean and quartile data by industry. ***

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Mean | 48% | 61% | 49% | 51% | 56% | 47% | 54% | 45% | 52% |
| 75th Percentile | 65% | 80% | 75% | 75% | 80% | 70% | 70% | 67% | 70% |
| Median | 50% | 68% | 50% | 50% | 70% | 54% | 60% | 47% | 50% |
| 25th Percentile | 30% | 38% | 25% | 30% | 25% | 20% | 42% | 29% | 35% |

* These figures represent an "average of organizational averages." This figure may not agree with the measure computed when all observations in a category are summed to create one group statistic.

## 4. DISCOUNTS ON PURCHASES.

**Table 18. Percent of organizations that:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Use p-card spending data to obtain a discount for goods or services from any vendor | 27% | 31% | 30% | 35% | 33% | 54% | 39% | 27% | 22% |


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## 5. MANAGEMENT AND CONTROL OF CARD PROGRAM.

**Table 19. Spending limits per transaction.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| $1-$500 | 9% | 13% | 7% | 5% | 14% | 10% | 5% | 15% | 26% |
| $501-$1,000 | 10% | 4% | 26% | 25% | 19% | 24% | 17% | 15% | 11% |
| $1,001-$2,500 | 45% | 44% | 35% | 42% | 34% | 43% | 39% | 31% | 26% |
| $2,501-$5,000 | 29% | 35% | 20% | 25% | 19% | 14% | 28% | 35% | 15% |
| $5,001-$10,000 | 7% | 4% | 10% | 0% | 0% | 0% | 6% | 4% | 18% |
| More than $10,000 | 0% | 0% | 2% | 3% | 14% | 9% | 5% | 0% | 4% |

**Table 20. Spending limits per month.**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| $1 to $1,000 | 2% | 14% | 3% | 4% | 4% | 6% | 5% | 9% | 8% |
| $1,001 to $3,000 | 19% | 23% | 14% | 9% | 11% | 16% | 22% | 16% | 18% |
| $3,001 to $5,000 | 22% | 17% | 28% | 27% | 7% | 19% | 23% | 34% | 31% |
| $5,001 to $10,000 | 39% | 23% | 32% | 34% | 37% | 44% | 30% | 19% | 33% |
| $10,001 to $20,000 | 8% | 9% | 14% | 13% | 26% | 6% | 10% | 10% | 0% |
| $20,001 to $50,000 | 10% | 8% | 7% | 9% | 4% | 3% | 5% | 9% | 5% |
| Greater than $50,000 | 0% | 6% | 2% | 4% | 11% | 6% | 5% | 3% | 5% |


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## 6. COMPLIANCE CONTROLS AND DATA MINING.

**Table 21. Percent of organizations that:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Provide easy access to a copy of the policies and procedures manual for p-card use to every p-card cardholder | 91% | 94% | 91% | 87% | 88% | 87% | 87% | 100% | 85% |
| Require cardholders to maintain a logbook of card activity | 23% | 24% | 34% | 30% | 28% | 27% | 36% | 29% | 34% |
| Have a documented policy regarding receipt retention for p-card spending | 93% | 91% | 92% | 93% | 85% | 90% | 85% | 97% | 92% |
| Officially reprimand or discipline cardholders who fail to submit receipts in a timely manner | 67% | 69% | 58% | 70% | 69% | 57% | 61% | 65% | 69% |
| Evaluate the spending patterns of cardholders with a high number of disputed transactions | 46% | 48% | 41% | 50% | 32% | 33% | 51% | 39% | 53% |
| De-activate p-card accounts that are unused for an extended period | 54% | 73% | 47% | 69% | 62% | 70% | 59% | 39% | 47% |
| Track and resolve disputed transactions | 84% | 82% | 77% | 91% | 92% | 77% | 90% | 81% | 86% |
| Use declining balance cards to control spending against budgets | 12% | 12% | 8% | 13% | 12% | 20% | 10% | 10% | 7% |
| Formally audit and review the p-card spending approval process | 76% | 78% | 74% | 75% | 84% | 73% | 82% | 97% | 75% |
| Use a third-party service that provides additional information to support analysis and control over purchasing card spending (e.g., ACL, Apex Analytics, D&B) | 6% | 6% | 6% | 9% | 4% | 10% | 3% | 16% | 2% |
| Conduct data mining of p-card transactions to identify potential policy violations or p-card misuse | 56% | 61% | 51% | 50% | 64% | 45% | 46% | 65% | 42% |

## 7. INTEGRATION WITH PURCHASING.

**Table 22. Percent of companies with p-card use restrictions to:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Restrict card use to managers or supervisors | 19% | 15% | 16% | 27% | 8% | 16% | 31% | 3% | 34% |
| Restrict card use to Purchasing personnel | 9% | 9% | 9% | 14% | 8% | 9% | 11% | 0% | 22% |
| Use departmental cards where the card is not issued in a specific employee's name, but rather to a department | 24% | 29% | 20% | 32% | 33% | 31% | 21% | 13% | 28% |
| Restrict card use to one person per department | 27% | 21% | 29% | 21% | 37% | 39% | 46% | 19% | 27% |
| Have any restrictions related to the types of goods or services that can be paid for with purchasing cards | 76% | 79% | 73% | 70% | 70% | 72% | 69% | 74% | 64% |


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## 8. TRAINING.

**Table 23. Percent of companies that:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Require initial p-card training for cardholders | 56% | 66% | 74% | 79% | 86% | 75% | 61% | 60% | 77% |
| Require refresher p-card training for cardholders | 14% | 22% | 21% | 28% | 30% | 29% | 18% | 12% | 17% |
| Require initial p-card training for supervisors | 56% | 59% | 59% | 62% | 67% | 75% | 55% | 52% | 68% |
| Require refresher p-card training for supervisors | 15% | 19% | 17% | 20% | 25% | 21% | 16% | 12% | 10% |
| Provide web-based purchasing card training materials | 48% | 84% | 50% | 56% | 55% | 58% | 52% | 68% | 45% |
| Provide in-person purchasing card training | 67% | 53% | 65% | 60% | 60% | 58% | 55% | 64% | 66% |
| Provide self-study purchasing card training materials | 66% | 78% | 71% | 75% | 81% | 58% | 66% | 88% | 64% |
| Track completion of training and training updates by employees | 19% | 41% | 31% | 27% | 40% | 17% | 21% | 28% | 17% |
| Support p-card program administrator attendance at p-card user conferences to identify new ways to use p-cards | 45% | 47% | 37% | 52% | 26% | 35% | 36% | 48% | 37% |
| Have an ongoing method of communicating p-card information | 51% | 53% | 47% | 46% | 45% | 50% | 45% | 60% | 31% |
| Have a Web site that answers p-card questions | 36% | 56% | 37% | 38% | 50% | 50% | 36% | 40% | 17% |

## 9. SWITCHING BEHAVIOR.

**Table 24. Percent of companies:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| That have switched card issuers in the past 10 years | 48% | 47% | 50% | 46% | 40% | 42% | 58% | 56% | 33% |
| That are considering switching | 13% | 24% | 19% | 15% | 14% | 4% | 9% | 12% | 6% |


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## 10. ACTIVITIES AND POLICIES TO EXPAND PURCHASING CARD USE.

**Table 25. Percent of organizations that evaluate potential for increasing purchasing card spending by the following actions:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Benchmark their p-card program performance against published benchmark figures | 16% | 15% | 15% | 13% | 11% | 13% | 13% | 23% | 7% |
| Compare their p-card program performance to that of similar organizations | 7% | 21% | 14% | 9% | 7% | 13% | 15% | 19% | 13% |
| Use the bank's list of card-accepting merchants to identify additional opportunities for p-card payment | 13% | 26% | 29% | 13% | 19% | 9% | 30% | 19% | 21% |
| Analyze AP check payments to identify merchants who are to be encouraged to accept p-cards for payment | 34% | 38% | 42% | 43% | 30% | 25% | 45% | 32% | 38% |
| Reviewing purchase requisition traffic to identify employees who need p-cards | 27% | 18% | 26% | 18% | 37% | 31% | 23% | 23% | 23% |
| Analyze spending using benchmark data software tools | 9% | 6% | 6% | 7% | 7% | 3% | 3% | 3% | 0% |

**Table 26. Actions taken to reach p-card spending potential. Percent of organizations that:**

| | Agricultural mining, and construction | Finance, insurance, banking, and real estate | Manufacturing | Professional, scientific, and technical services | Software and IT Solutions | Telecommunications, media, and entertainment | Transportation, warehousing, and delivery services | Utilities | Wholesale and retail trade |
|---|---|---|---|---|---|---|---|---|---|
| Target specific commodities or services for p-card payment | 54% | 32% | 51% | 55% | 59% | 66% | 55% | 63% | 56% |
| Target specific vendors for p-card payment | 43% | 38% | 45% | 50% | 37% | 31% | 68% | 48% | 48% |
| Have increased the number of p-cards throughout the organization | 51% | 38% | 51% | 46% | 44% | 53% | 43% | 52% | 56% |
| Provide financial incentives for business units to increase p-card spending | 10% | 0% | 6% | 0% | 4% | 16% | 13% | 6% | 5% |
| Provide non-financial incentives to business units to increase p-card spending | 6% | 3% | 4% | 5% | 0% | 6% | 8% | 3% | 0% |
| Require the purchasing department to refuse to process purchase requisitions that could be bought on the p-card | 10% | 9% | 14% | 9% | 15% | 13% | 5% | 13% | 11% |
| Require AP to send a memo reminding employees who requisition the purchase of goods or services that these goods or services can be bought with the p-card | 7% | 15% | 13% | 7% | 22% | 13% | 10% | 10% | 5% |
| Internally charge requisitioning departments for Purchasing and Accounts Payable processing costs | 1% | 0% | 3% | 2% | 4% | 6% | 5% | 0% | 0% |


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RPMG Research Corporation is organized to serve business and government agencies through data collection, detailed analyses, and disemmination of information about current trends and practices in the business-to business use of bank commercial cards, e-procurement technologies and other technologies affecting the expenditure cycle of organizations. Their projects to date include major market studies-procurement utilization and the use of bank purchasing and corporate cards in North America.

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RPMG Research Corporation
Commercial Card and E-Commerce Consulting

1616 West Main Street, Suite 506,
Marion, IL 62959
Phone: 618-559-5137
Email: inksling@midwest.net