NEW TECHNOLOGIES IN B2B PAYMENTS

"THIS IS NOT WHERE YOU THROW A THOUSAND CARDS UP IN THE AIR AND SAY, 'HAVE AT IT'. QUITE THE OPPOSITE. YOU HAVE IMPROVED TRANSPARENCY, BETTER DATA THAT LEADS TO BETTER DECISION MAKING AND CONTROL."
– DEBORAH STANTON, CHIEF PROCUREMENT OFFICER, MASTERCARD

EXECUTIVE SUMMARY

Today's purchasing card is far more than a plastic card-in-hand used by employees to buy MRO-related goods and services. Today's "card" streamlines the procure-to-payment process, gives finance officers more control, and delivers robust data that can be used in exciting new ways.

Even as new innovations and technologies have created better, smarter products and services with card, adoption in the B2B payment market has been slow.

As CPO (Chief Procurement Officer) for MasterCard International and Group Executive for the Global Supply Chain, here is my first-hand look on why moving the needle in the B2B space has been a challenge, how today's purchasing program delivers what CPOs have been waiting for, and what they need to do to make sure it is tightly aligned with their business needs.

THE PURCHASING CARD HAS MOVED BEYOND PLASTIC

> “Commercial card programs have changed dramatically in the last decade. CPO’s need to ensure they are educated on all the features they offer.”
>
> Deborah Stanton, Chief Procurement Office, MasterCard

Commercial B2B purchases are still heavily reliant on traditional payment methods like check, ACH (Automated Clearing House) and wire transfers. But these payment channels are outdated, insecure and vulnerable to fraud. Moreover, processing is time-consuming and inefficient.

So, why are they still being used?

Because as CPOs, we still think of a credit card as a traditional card-in-hand, and the concept of a p-card program or a commercial card program is not at the forefront of a CPO’s radar screen. Even if it’s something we are vaguely considering, the topic makes us nervous. All those cards out there being used for who knows what?

But this is not where you throw a thousand cards up in the air and say, “have at it”. Quite the opposite. With today’s p-card, you have improved transparency. You have better data that leads to smarter decision-making. You have control – over who spends, where, and how much.

When you learn about new functionality, whether it’s purchasing controls, smart data, gateways for large-ticket items, virtual card accounts, and all those things that now exist in the e-payable space, it really opens your eyes to the potential for a commercial card program. You start thinking about the kinds of purchases you would never consider making on a traditional card-in-hand. And along with that is a great rebate on purchase volume.

On average, a corporate company today with a good purchasing card program probably has four percent of spend. I know for a fact that, within three years, that number can move up to 25 percent!

New purchasing card technology enables us to manage our procurement process like never before. Today’s p-cards deliver more robust data and tighter controls to help establish processes, control timing and curb ad hoc spending. It is precisely what we CPOs have been waiting for.

THE MANY FACETS OF THE NEW PURCHASING CARD

> “We tend to think about card for low-value purchases, about 4% of transactions. With products like straight-through processing and virtual card, that number can easily rise to 25% as larger transactions are moved to card.”
>
> Deborah Stanton, Chief Procurement Office, MasterCard

The new p-card is a revolutionary accounts payable solution that has many sides. At the base, we have the traditional plastic card that everyone is familiar with – and then it gets really interesting with innovative types of payment methods:

- **Non-plastic card** – a card number that is used for payment of goods and services.
- **VCNs or Virtual Card Numbers** – used to pay a specific supplier, with a tight set of control options like merchant type, dollar value, time frames, geography limit usage and more.
- **Straight-through processing** – the money is electronically transmitted directly to the supplier’s bank account.
- **Prepaid cards, emergency cards, relocation cards.**

The list is vast, and the benefits of making them part of our card programs are extremely compelling.

MasterCard

ROBUST DATA, TIGHTER CONTROL AND COST SAVINGS

It's very important to know and understand spend. That knowledge simply doesn't exist without deep, rich, global data. We now have it with our cards payable program.

> "The advanced tools available with purchasing cards give me the visibility and transparency to build in the customized controls our company needs."
>
> Deborah Stanton, Chief Procurement Office, MasterCard

Visibility through detail-rich data

Robust data provides us with detail-rich, global, web-based information in numerous dimensions so we can better track spend – practically in real time. What's more, we can seamlessly organize, consolidate, analyze and manage it.

This visibility is useful in so many ways, such as negotiating with suppliers, or managing a global program. When I am doing a global program, I need to see what's happening across the entire world. I want a solution that gives me that. With complete transparency, I can implement standardized limits instead of being all over the place simply because that's what my cardholders say they need.

Tighter control at the card level

On the subject of control, we are able to better manage employee spend because we have clear visibility, and can monitor and make adjustments that are in the best interests of the company. Granular features such as industry codes, spending limits and purchase types give us tighter control at the card level. Plus, we have tools for authorization, transaction routing, alerts, fraud protection, and integrating purchase activity with our ERP/AP systems.

Greater cost savings and higher rebates

Along with all of that comes greater cost savings. We have seen purchasing card programs generate savings across every activity in the procure-to-pay process to an average savings of $73.53 when compared to traditional P.O.s.*

We help save on transaction costs, reduce required people-power, shorten cycle time, and improve cash flow. And with more spend in our program; we have more purchases feeding our rebate, which can drive us to new rebate tiers.

*Source: 2012 Purchasing Card Benchmark Survey Results, RPMG Research Corporation

BEFORE THE RFP, REACH OUT TO THE BRAND NETWORK

When you're ready to convert to a p-card program, your first inclination is to ask your Issuer for recommendations. But to understand the differentiating factors between programs, to be able to determine exactly what your business requires, you need to go directly to the brand network such as MasterCard – before issuing that RFP.

It's everything from the products and solutions and their functionality, and the things that one brand offers over and above the bank, like implementation support, resources and playbooks. It's global capability. It's standardization.

Even if you have existing banking relationships, you need to know with a high degree of confidence that they are able to provide you with the products and features you are looking for. For example, if plans for global expansion are in the works, you need a bank that is ready to help drive a global program.

You can only get that visibility, knowledge and education by connecting with the brands, and hearing it for yourselves. Once you are well versed on what solution sets come from each brand, you can be very directive in your RFPs. You can say, "I want XYZ."

You are in a stronger position to choose a bank and brand partner that meets your p-card program needs. And with that, you're poised to smoothly navigate the payments landscape and maximize the benefits derived from purchasing card technology.

MasterCard's industry leading acceptance, data and reporting, and innovative purchasing products and services can be your competitive advantage. To learn more about MasterCard's Accounts Payables Solutions, please visit www.mastercard.us/commercial/solutions/commercial-corporations.html