



Aberdeen *Group*

The Purchasing Card Benchmark Report

Best Tactics to Increase Program Growth

ABRIDGED EDITION

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Executive Summary

This report presents the findings of a benchmark study sponsored jointly by AberdeenGroup and the National Association of Purchasing Card Professionals (NAPCP). Purchasing card program challenges, priorities, strategies, and technologies were surveyed to provide program management parameters and best practices. Issues of program control to enable new business and cost reductions are presented along with additional ways to drive value from purchasing card programs.

Key Business Value Findings

The chief trait of best practice purchasing card programs with greater than average growth over the past five years is the depth of attention placed on the program. Best practice programs go beyond traditional convention and do not confine the use of purchasing cards to off contract, non-traditional, non-purchase order, or ad-hoc, incidental purchasing requirements. The best purchasing card programs are changing historical paradigms.

Implications & Analysis

Best practice programs address new spend categories and supplier types, and embrace technology for reasons beyond administration convenience. Success factors common to best practice programs include:

- Purchasing cards are used as electronic payment for small dollar transactions
- Purchasing cards address master agreements and contract pricing, purchase orders, and project or recurring services purchases
- Purchasing cards are integrated into mainstream business activities
- Purchasing card data is collected and used for strategic sourcing and contract compliance

Recommendations for Action

To achieve higher than average growth, purchasing card programs should expand the program in the following areas:

- Address master agreement and contract pricing requirements
- Create strategic sourcing strategies and selection activities
- Examine specific categories, supplier relationships, or business regions to determine which purchase orders lend themselves to payment via purchasing cards
- Extend the use of the card to service categories such as advertising, marketing, print, maintenance, temporary services, and consulting
- Evaluate and proactively collect electronic payment remittance information on suppliers providing non-traditional, large project, or recurring services requirements

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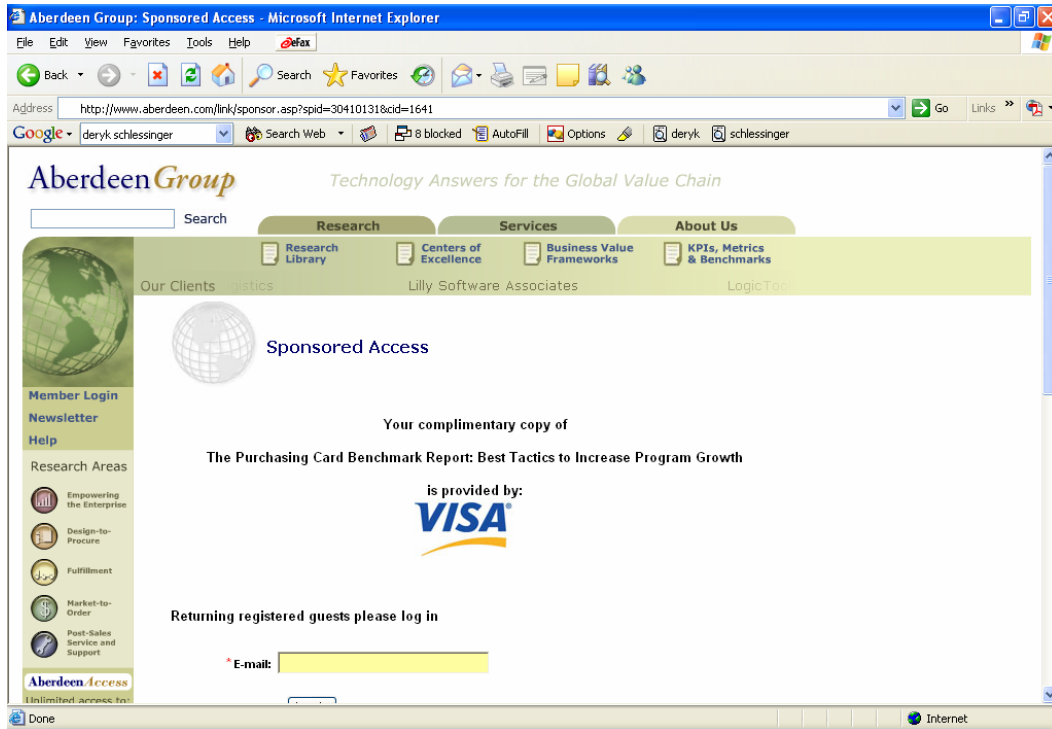
Table 1: Purchasing Card Program Benchmarks

Table 2: Improvement from Electronic Processing Methods.....

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Author Profile

Jeff Pikulik
Director Buy-Side Research
Aberdeen Group

Jeff Pikulik focuses on the successful deployment of strategic procurement best practices in the Global 5000. His efforts continue to reveal cost savings beyond the traditional supply chain. Specifically, Pikulik works with executives and business unit managers from all functional backgrounds and their cross-functional teams to bring many time-tested strategies and tactics into the mainstream.

Pikulik currently examines how transferable best practices are being applied to address specific opportunities internal and external to the corporation. Based on these findings, business and purchasing executives will be able to clearly define the financial opportunity and organizational approach by understanding the consistency and predictability of proven best practices as applied to nontraditional supply expenditure categories.

Pikulik has helped executives in the energy, pharmaceuticals, and hospitality industries deploy strategic procurement programs to achieve “second-wave” cost reduction results and better organizationally align with the business owners and users of indirect expenditure categories.

About AberdeenGroup

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To be the trusted advisor and business value research destination of choice for the Global Business Executive.

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Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

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AberdeenGroup, Inc.
260 Franklin Street, Suite 1700
Boston, Massachusetts
02110-3112
USA

Telephone: 617 723 7890
Fax: 617 723 7897
www.aberdeen.com

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