

A Summary of the 2014 Purchasing Card Benchmark Survey Results *With an Emphasis on Canadian Response*

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Survey Overview

The 2014 Purchasing Card Benchmark Survey Results (the “Report”) is our eighth edition of the Purchasing Card series and it offers a variety of new insights and information to benefit the reader based on data and analysis from over 3,000 purchasing card users across North America representing public and private corporations, government, universities and colleges, school districts, and not-for-profit organizations.

Purchasing Card Spending in North America

Overall, purchasing card spending has continued to grow in a time of continuing economic challenges. Between 2011 and 2013, purchasing card spending in North America grew from \$196 billion to \$245 billion. Purchasing card spending growth in the past two years in the Corporate segment was higher than the Government and Not-for-Profit segment.

Going forward, purchasing card spending growth is expected to average 10.8% per year over the 2014-2018 time frame, increasing from \$245 billion in 2013 to \$377 billion by 2018. Corporate respondents project an annual average purchasing card spending growth rate over the next five years (12.4%) that is higher than that projected by Government and Not-for-Profit respondents (8.8%). The two most frequently cited reasons for expected purchasing card spending growth involve greater targeting of vendors (both for plastic card and Electronic Accounts Payable) and an increase in the number of employees given purchasing cards.

Organizational Impact

Purchasing cards generated administrative cost savings of about \$70 per transaction (including sourcing, purchasing, and payment activities) when compared to traditional purchase order payment methods. This translates into a transactional cost savings of approximately \$38 billion within North America on an annual basis. Based on our data, a typical Fortune 500-Size public corporation experiences annual cost savings attributable to purchasing card use of \$15 million, a figure that represents an ongoing annual realization of improvements in the efficiency of the procurement process that accounts for (on average) a 1.6% improvement in the bottom line.

Further, in comparison to a traditional PO process, purchasing cards reduce the procurement cycle time by approximately eight days, and generally result in a reduction or redeployment of staff in AP and Procurement functions. Among organizations that use purchasing card spending

data to obtain higher discounts, 66% report obtaining a higher discount. The vast majority of respondents have a monthly billing arrangement with their card issuer and 73% of respondents report that improved cash flow by extending the time to payment is an important benefit of p-card use. A significant portion of respondents report reductions in petty cash and cash advances and the avoidance of late fees and lost discounts.

Insights into Other Opportunities

Twenty-three percent of the \$245 billion currently spent on purchasing cards in North America is for operating goods and supplies. The remainder of p-card spending is spread across a variety of other types of goods and services. Based on respondent estimates of their current capture of category spending on p-card (excluding travel), spending could grow by \$168 billion if existing customers were to capture a higher percentage (a “top 20%” respondent level) of the goods and services they already buy with cards. Total p-card spending could grow by another \$173 billion if respondents who currently do not buy within a given category begin to do so at the level of top 20% respondents buying in the category.

Across the total sample, we estimate that purchasing card spending would grow by 60% if all of the respondents’ suppliers accepted payment by purchasing card (which, if extrapolated to the entire market, would mean that current annual purchasing card spending in North America would increase from \$245 billion in 2013 to \$392 billion).

Other potential enhancements for card use examined in the report related to payments associated with e-procurement, “one card” use, use of p-cards outside of the U.S. and Canada, on-boarding of new users, and adoption of “best practices” by current card-using organizations.

Best Practice

As in the seven previous studies since 1998, the 2014 edition of the Purchasing Card Benchmark Survey Results examines best practices of “high performance” purchasing card programs and sheds light on continuing market trends. The 2014 edition provides unique and fresh insight into the role and impact of card distribution, card spending limits, supplier enablement, technology integration, expanded card toolkit options, card issuer support, optimization techniques, and program management and control practices associated with organizations that obtain the maximum benefit from purchasing card use. The Report also offers many innovative suggestions from end-users on topics ranging from program management to technology.

Electronic Accounts Payable

About 18% of respondents currently use Electronic Accounts Payable” (or “EAP”). Of the 82% that do not, 10% of respondents plan to adopt EAP in the next year and 20% plan to adopt EAP within three years. Thus, EAP use is expected to rise from 18% in 2013 to 43% in 2016. The average EAP spending is \$1,911,958 per month. The average EAP transaction is for \$4,727, over ten times larger than a typical purchasing card account transaction.

Governance and Risk Management

The Report provides a summary of purchasing card governance and risk management tools employed by organizations of differing size and type. Further, the Report explores how different levels of control over the purchasing card program affect purchasing card program performance and success within the organization.

The Canadian Response

Canadian respondents accounted for 8.9% of sample respondents to the 2014 Purchasing Card Benchmark Survey and (a) 9.6% of plastic cards, (b) 8.5% of purchasing card spending, and (c) 10% of purchasing card transactions. Canadian respondents were less likely than the total sample response to be corporations (36% versus 47%, respectively) and more likely to be a school district (16% versus 12%), a city or county (19% versus 16%), a province/state or province/state agency (8% versus 4%). Among the Canadian corporate response, a similar proportion of “Middle Market”, “Large Market” and Fortune 500-Size respondents existed. However, Canadian corporations were notably more likely to be in the “Agriculture, Mining, and Construction” (38% versus 14%) and “Finance, Insurance, Banking, and Real Estate” (21% versus 11%) segments than the total sample. Contrariwise, they were less likely to be in the “Manufacturing (10% versus 32%) or other segments (31% versus 48%).

Purchasing Card Spending in Canada

The typical Canadian respondent with 5,356 employees has 756 purchasing cards on which it charges \$1.5 million per month. Median monthly purchasing card spending by Canadian respondents is \$255,000. Canadian purchasing cards were used to pay (on average) for 50% of the organization’s under \$2,500 transactions, 28% of \$2,500 to \$10,000 transactions, and 12% of \$10,000 to \$100,000 transactions. The average purchasing card spending per month per employee among Canadian respondents is \$280, modestly less than the \$317 average across North America.

At the cardholder level, Canadian respondents report average monthly spending per purchasing card of \$2,000, comprised of 5.45 average monthly transactions at an average ticket amount of \$367. Across North America, average monthly purchasing card spending is \$2,767, driven by 6.1 monthly transactions at an average transaction amount of \$454.

The Purchasing Card Toolkit

Canadian respondents were modestly more likely than the North American response as a whole to use “ghost” (28% versus 20%) and “cardless” accounts (17% versus 16%), but notably less likely to use electronic accounts payable (i.e., virtual) card accounts (5% versus 18%). Purchasing card spending among Canadian respondents is conducted predominantly on plastics

cards (93%), followed by ghost (3%), cardless (3%), and EAP (1%). Across North America, a significantly lower percentage of spending is on plastic cards (68%) and more on electronic account payable (EAP) (20%), cardless (7%) and ghost (5%) accounts.

Completeness and Integration of Card Data

Forty percent of Canadian respondents added data to their purchasing card transactions (e.g., PO number, business purpose for purchase), slightly higher than the North American average of 37%. Notwithstanding 75% of Canadian respondents report that they are satisfied or very satisfied with the completeness of purchasing card data.

“Best practice” organizations have automated integration of their purchasing card data into the organizational accounting information system. Only 28% of Canadian respondents report that they manually input some or all of their purchasing card data into their accounting system, a figure that is lower than the North American average (40%). In corresponding manner, Canadian respondents are more likely than North American counterparts to report that they are satisfied or very satisfied with their ability to integrate purchasing card data into their organizational information system (62% versus 57%).

Supplier Enablement

Canadian respondents report that they pay for goods and services with purchasing cards from (on average) 277 suppliers, a figure that is higher than the North American norm. Notwithstanding, the typical Canadian respondent reports that spending would be increased by 58% if all of their suppliers accepted card payment.

Expected Spending Growth

Eighty-two percent of Canadian respondents experienced growth in purchasing card spending in the two year period from 2011 through 2013. The average annual expected growth rate in purchasing card spending over the next five years among Canadian respondents is 12%.

More information

More information about the 2014 Purchasing Card Benchmark Survey Results can be obtain by inquiry to Richard Palmer at RPMG Research Corporation (Richard.Palmer@RPMGResearch.net).